FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,043 Friday April 8 1983 D 8523 B

Snia Viscosa takes up arms, Page 19

NEWS SUMMARY

GENERAL

Concern over U.S. Nicaragua policy

Covert U.S. involvement in Central America could fast become a major political issue in Washington, the State Department fears.

The Department was yesterday reported to have raised with the White House questions about the legality of U.S. backing for right-wing rebels fighting the Sandinist Government of Nicaragua from bases in Honduras. Leader of El Salvadorean opposition assassinated; Congressman questions fresh aid for El Salvador, Page 3

Win of confidence

The French Government won by a comfortable 322 to 155 margin its confidence vote after a stormy debate in the National Assembly. Page 3

Nkomo's son freed

Tulani Nkomo, son of self exiled Zapu leader Joshua Nkomo, was freed by Zimbabwe authorities after being held for a month on suspicion of having helped his father flee the country.

Life sentence

Jerusalem district court jailed Alan Goodman for 40 years for a shooting spree which killed two people and injured 30 at the Dome of the Rock mosque in Easter Sunday last year.

Male excess

China is experiencing an epidemic of female infanticide which has created a balance of five to one between male and female children in some areas. An official survey says this is because of the policy of limiting families to one child. Page 4

Sporting casualty

French sports federations have been asked by the Government to cut all links with South Africa. First casualty is likely to be a national rugby team tour planned for June.

Soviets detained

British military authorities in West Germany briefly detained a number of Soviet army officers driving near the Netherlands border.

Record heroin haul

A Frankfurt customs officer seized the largest amount of heroin ever found in West Germany, 39.4kg, in a routine baggage search at the airport.

Spy suspect on bail

Italian magistrates freed Soviet businessman Victor Konsiev, arrested on military spying charges in February, on bail of L50m ($30,000).

Tanzanian purge

Three senior Tanzanian officials were sacked for failing to carry out government directives against economic saboteurs.

Three shot dead

Three people were shot dead when gunmen attacked the home of a leader of the youth wing of the ruling Uganda People's Congress and three prominent people were abducted in the same area.

Briefly...

North Korean Politburo member Rim Chun-Chu was elected one of three vice-presidents.

Former Rhodesian premier Ian Smith was given a British passport.

Earthquake measuring six on the Richter scale shook part of Tadzhikistan in Soviet Central Asia.

BUSINESS

French currency reserves recover

● BANK OF FRANCE'S foreign exchange reserves were reconstituted by more than $5bn in the week immediately following last month's devaluation of the franc within the EMS, a far more pronounced recovery than after the last two devaluations. Page 3

● TOKYO: Nikkei Dow index lost 36.95 to close at 8,442.45 and the Stock Exchange index was down 2.98 at 619.67. Report, Page 29; prices, Page 32.

● LONDON: FT Industrial Ordinary index rose 8.3 to 672.2. Government Securities were little changed at 81.81. Page 29; FT Share Information Service, Pages 34, 35.

● WALL STREET: Dow Jones index closed up 4.16 at 1117.65. Page 29; full share listings, Pages 30-32.

● GOLD fell $2 to $425.5. In Frankfurt it fell $2.75 to $425.75 and in Zurich it fell $1 to $426.5. In New York the Comex April settlement was $425.4 ($429.6). Page 33

● STERLING lost 75 points to close at $1.507. It was also down at DM 3.6425 (DM 3.66), SwFr 3.085 (SwFr 3.105), FFr 10.91 (FFr 10.955) and Y358.5 (Y359.5). Its trade-weighted index was 80.6 (80.9). In New York sterling closed at $1.50325. Page 36

● DOLLAR closed at DM 2.4155 (DM 2.415), SwFr 2.046 (SwFr 2.05), FFr 7.24 (FFr 7.2375) and Y237.6 (Y237.2). Its trade-weighted index was 122.3 (122). In New York the dollar closed at DM 2.41825, FFr 7.25, SwFr 2.05 and Y238.625. Page 36

● SWEDEN'S Riksbank is to lower its discount rates from 9 per cent to 8.5 per cent today.

● SOVIET UNION could overtake South Africa as the world's largest gold producer, Nato conference was told. Page 18

● MALTA has made a M£13m ($13.4m) loan to China to finance coal development schemes.

● BOEING, U.S. jet airliner builder, will move immediately to counter any formal decision by European consortium Airbus Industrie to launch a 150-seater project, the A-320. Page 7

● ABBOTT LABORATORIES, major U.S. health care and pharmaceuticals group, reported record first quarter results up 17.9 per cent to $75.21m.

● INTERNATIONAL THOMSON Organisation, energy, publishing and travel group, reported net earnings for last year up 18.4 per cent on almost unchanged trading profits. Lex, Page 18

● THORN EMI, a leading supporter of the Japanese VHD videodisc system, is considering supplying programming material for the rival Philips' Laservision system. Page 9

● FLEXI-VAN Corporation, New York-based transportation leasing company, is seeking a buyer to help it escape the clutches of West Coast financier David Murdock. Page 19

● CITROEN car plant at Aulnay, near Paris, was paralysed by strikes for the second day.

● HONG KONG commodity exchange chairman Peter Scales was asked to resign. Page 20

● MYER emporium launched a cash and paper bid for Grace Brothers Holdings at A$3.85 a share or A$213m ($184.7m) for the company. Page 19

● CRA, the Australian mining and metals group which is 57 per cent owned by Rio Tinto Zinc of the UK, plans to increase the par value of its shares from A$0.50 to A$2.00 by capitalising A$652m (U.S.$566m) of its asset revaluation reserves. Authorised capital is to be increased from A$300m to A$1.5bn.

Warsaw Pact 'prepared to negotiate' on missiles

BY LESLIE COLITT IN BERLIN AND REGINALD DALE IN WASHINGTON

THE WARSAW PACT said it is prepared to "constructively examine" proposals put forth by Nato for the removal of medium range and tactical nuclear weapons in Europe.

The conciliatory statement followed the Soviet Union's rejection of President Ronald Reagan's proposal of an interim missile agreement which would have provided for the number of warheads on both sides to be below the 572 which the United States plans to deploy on medium range missiles in Western Europe.

A communique issued after a two-day meeting of Warsaw Pact Foreign Ministers said the alliance is prepared to negotiate with Nato to remove medium range and tactical nuclear weapons from Europe.

The pact expressed its readiness to negotiate although it said there had been no progress at the Soviet-American talks in Geneva to reduce the level of medium range missiles in Europe.

The Warsaw Pact ministers stressed the role which Europe could play in achieving mutual security and co-operation. This appeared to indicate that Western Europeans should put greater pressure on the U.S. to make concessions at the Geneva talks.

The communique spoke warmly of the "forces of peace," apparently referring to the recent disarmament marches in Western Europe. It added that the Pact hoped Nato will act "positively" on its proposal made last January to conclude a non-aggression treaty with Western alliance.

The Foreign Ministers of the Soviet Union and Eastern Europe said they discussed the "earliest possible" start of direct negotiations between the two military blocks on freezing defence expenditures and then reducing them.

The communique said the Madrid follow-up conference to the Helsinki security and co-operation conference of 1976 should conclude a final document as soon as possible, which would be "substantive and balanced."

It said the time had come to conclude the work of the Madrid follow-up meeting, including the question of convening the conference on confidence building and security building measures as well as disarmament in Europe.

The Warsaw Pact document sharply criticised the U.S. for its nuclear missiles policy but refrained from using the tough language of Soviet leaders in recent days. Soviet Defence Minister Marshall Dmitri Ustinov yesterday accused the U.S. of turning its European allies into "hostages" to its nuclear strategy

The U.S., however, yesterday publicly accused the Soviet Union of dragging its feet in the Geneva talks but said progress was still possible this year if Moscow was prepared to negotiate seriously.

While the U.S. had made a number of proposals the Soviet reaction had been "dilatory and disappointing," the White House said.

The White House statement was the latest in a string of tough anti-Soviet comments that the Reagan administration has made in recent weeks.

VW sells Michigan plant to Chrysler and omits dividend

BY RICHARD LAMBERT IN NEW YORK AND STEWART FLEMING IN FRANKFURT

Volkswagen yesterday took a major step back from the U.S. market by agreeing to sell an unfinished assembly plant in Michigan to Chrysler Corporation. It also announced in West Germany that it would not pay a dividend for 1982, the first time since 1975 that VW shareholders will receive no payment.

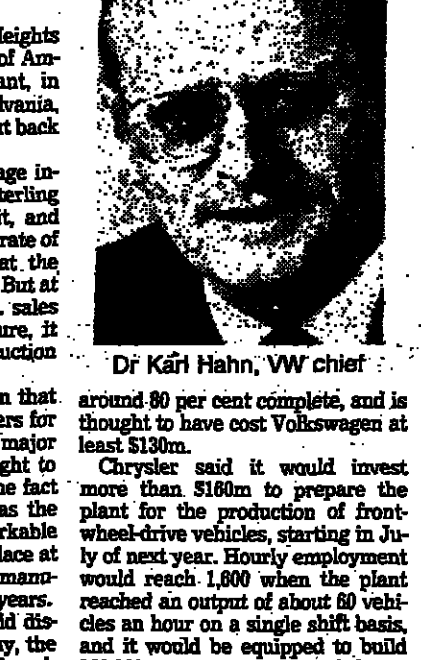
It had been known for several months that the company would report a loss for 1982, and there had been speculation about a cut in dividend. Yesterday in Frankfurt the shares fell DM 5 to DM 176.

The sale of the Sterling Heights plant will leave Volkswagen of America with one assembly plant, in Westmoreland, Pennsylvania, where production has been cut back sharply in the past year.

Volkswagen had at one stage intended to invest $300m in Sterling Heights, a suburb of Detroit, and had hoped to be building at a rate of up to 180,000 cars a year at the plant by the 1986 model year. But at the end of 1981, with its U.S. sales coming under serious pressure, it decided to defer its production plans indefinitely.

Last year, it became known that the company was open to offers for Sterling Heights, and all the major U.S. manufacturers are thought to have considered buying it. The fact that Chrysler has emerged as the buyer underlines the remarkable turnround which has taken place at the third biggest U.S. motor manufacturer during the past two years.

Although neither side would disclose the sales price yesterday, the deal will involve a series of cash payments to Volkswagen of America over a 12-year period, and the West German-owned company will retain a security interest in the plant for the duration of the financial agreement. The building is around 80 per cent complete, and is thought to have cost Volkswagen at least $130m.



Dr Karl Hahn, VW chief

Chrysler said it would invest more than $160m to prepare the plant for the production of front-wheel-drive vehicles, starting in July of next year. Hourly employment would reach 1,600 when the plant reached an output of about 60 vehicles an hour on a single shift basis, and it would be equipped to build 260,000 cars a year on two shifts.

Chrysler said that the plant would be used to build a new model called the "H" car. It said this would be a four-door sedan, but would give no further details. The plant might also be used to produce a front-wheel-drive version of Chrysler's New Yorker model.

Volkswagen started production in the U.S. during 1978 with the Rabbit, which is based on the Golf model sold in Europe. But after an early success, its Rabbit sales have been badly hit by Japanese competition and a swing away from small, fuel-efficient cars.

Sales of Volkswagen's U.S.-produced cars last year collapsed from 162,445 to 91,186, and they have fallen by another 21 per cent to 17,405 vehicles so far in 1983.

As a result, output at Westmoreland has been cut back to 470 a day from a peak of over 1,000, and total employment has been reduced from over 5,000 to around 3,000. Mr James McLernon resigned suddenly as president and chief executive last autumn.

Volkswagen will be reporting its results in detail later this month and yesterday the company gave no official explanation for the decision to cut the dividend.

In addition to its U.S. problems, it was also losing money in Brazil until late last year. The company is also having to provide lavish support for Triumph-Adler, its office products subsidiary, which recently disclosed losses for 1982 of DM 150m and said that VW would write off loans to it of DM 100m.

Volkswagen has said that its parent company would report a profit for 1982 but that the group as a whole would report a loss.

Reversal for pound as shares surge

By Jeremy Stone in London

THE LONDON equity market caught the scent of a possible cut in banks' base lending rates yesterday morning, and share prices rose strongly for the second day running. At the same time, sterling's sharp recovery over the past few days turned into a modest relapse, slowing the fall in UK money market rates, and pushing the likely moment for cutting bank base rates further into the future.

The FT Industrial Ordinary Index, the hourly barometer of the share price movements of 30 leading companies, closed at 672.2, taking its two-day rise to 18.2 points. This was only 1.4 below its record level of March 15, Budget Day. The day's star performer was BAT Industries, whose exceptional results added 10 per cent to the share company's price, giving extra impetus to the market.

Early falls in interbank interest rates gave rise to suspicions that the clearing banks might act on base rates yesterday, as the three-month rate dropped to 10⅝ per cent. But the Bank of England's refusal of bills offered for sale by the discount houses at correspondingly audacious prices left the money markets short of around £235m (on the Bank's forecast), driving the cost of overnight money up as far as 29 per cent. This was viewed in the market as a hint not to pursue lower interest rates too hastily.

Sterling's reverse on the foreign exchange market reinforced

Continued on Page 18

London share prices, Pages 34-35; Money Markets, Page 36

BIS criticises U.S. policy on $ intervention

BY DAVID MARSH IN PARIS

THE BANK for International Settlements (BIS), the Basle-based institution run by the world's leading central banks, has delivered a strong and detailed attack on the U.S. Government's reticence to intervene to control the dollar on currency markets.

The rebuff of American views comes just a few weeks before a French-sponsored international study on the desirability of official currency intervention, commissioned after last year's seven-nation Versailles summit, is due to be published.

The criticism is contained in a BIS study document written by two senior staff members. Its conclusion, based on detailed analysis of past movements of the D-Mark, yen and sterling against the dollar, is that official intervention predominantly has a helpful, stabilising influence on currency movements.

Although written in technical and scholarly language – it does not for instance mention explicitly the U.S. position – the report denounces what it calls "naive" views that intervention has to make immediate profits for the central banks concerned in order to be stabilising.

In a polite rebuttal of the views held by Dr Milton Friedman and senior U.S. Administration officials, the authors say their findings "appear to put the burden of proof on those who argue that the official role in the exchange markets has been primarily unhelpful and will continue to be so."

The document is written in an individual capacity by Dr Helmut Meyer and Mr Hiroo Taguchi. But the views and conclusion are very close to the policy of the BIS itself and of other leading European central banks.

The Reagan Administration has refused to take an active line in helping to manage the dollar exchange rate. This is on the grounds that – according to senior U.S. Treasury officials – this would amount to "rigging" the current markets.

Lately, however, following signs that the high value of the dollar has been hurting the U.S. economy, there has been a glimmer of convergence on this issue between the U.S. and European governments. The latter generally see a role for central bank intervention as part of overall policies aiming at currency stability.

The study says previous academic literature – including the work of Dr Friedman – emphasising the need for central bank intervention to be profitable has often been based on judgments which are "highly unreliable" or even "utterly meaningless."

This is because these studies fail to take account of differences in international interest rates and of changes of exchange rates over time, both of which affect the "profitability" criteria.

Instead, the BIS report focuses attention on whether intervention during 1974 to 1982 has been "stabilising," in the sense of pushing exchange rates towards an "equilibrium level" defined as the 35-month moving average of actual currency rates.

Using different, rigorously worked-out mathematical criteria, the study shows that dollar intervention by the British, West German and Japanese central banks during this period has generally "stabilised" exchange rates far more often than it has "destabilised" them.

Brazil's surplus tops $514m in March

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL's economic authorities were jubilant yesterday following the announcement by Sr Ernane Galveas, finance minister, that the country turned in a record $514m trade surplus in March.

The figure is, at last, in line with the monthly surplus needed to achieve the highly ambitious target of a $6bn trade surplus this year, that the Government has set. The accumulated trade surplus in the first quarter came to $844m, better than the total 1982 figure of $778m.

A string of disappointing trade figures led to February's major devaluation of the cruzeiro by 23 per cent. However, the unexpectedly good performance in March should bring some relief to the many Western bankers engaged in the arduous task of keeping Brazil afloat in its external balance of payments.

The growing expectation here and abroad has been that the Government of President Joao Figueiredo will be forced to turn to the international money market within the next few months for a second "jumbo loan", to stave off default on its $90bn foreign debt.

While too much cannot be pinned on one month's figures, Brazilian officials point out that exports normally do better in the second half of the year when earnings from the main commodity crops – coffee, cocoa, soya and sugar – begin to come in.

Better news for Sr. Antonio Delfim Netto, the hard-pressed planning minister, also came out of Mexico at the end of an apparently successful visit yesterday by Sr Carlos Viacava, Brazil's foreign trade chief.

Sr Viacava was negotiating the quintupling of bilateral trade between the world's two leading debtor nations, on the basis of contra-trade arrangements covering Mexican oil and other products in return for Brazilian foodstuffs and industrial goods.

The Brazilian finance ministry said on Tuesday the two-way trade envisaged with Mexico could reach an annual figure of $1bn each, compared with a total $400m last year and $500m in 1981.

Continued on Page 18

Editorial comment, Page 16

BAT lifts profits to £856m

By Ray Maughan in London

BAT Industries, the UK-based tobacco giant which sells an estimated 600bn cigarettes around the world, increased its profits last year by £172m to £856m ($1.39bn). Sales rose by 24 per cent to £11.51bn.

The impetus for the 25 per cent lift in pre-tax profits stems in large part from currency swings affecting BAT's international operations.

North American operations contributed trading profits of £383m, a £101m rise, almost half the group's total. Overall, tobacco profits contributed 73 per cent so BAT is still some way from its stated objective of lifting the non-tobacco divisions to 40 per cent of group profits.

BAT's shares gained 65p yesterday to 715p, lifting the market value of the tobacco, retailing and paper group by £236m to almost £2.6bn.

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Peter Bruce, recently in Leipzig, reports on an industry with an eye for technology

East German machine tools: Challenge to the West

FEW PEOPLE in Eastern Europe are watching for signs of an economic recovery in the West more closely than Dr Jost Prescher, salesman-in-chief for East Germany's machine tool industry. Dr Prescher, director general of WMW Export Import, the industry's trading arm, remains cautious however.

"The UK market seems to be picking up," he says, "but we will see." Like his Western competitors, Dr Prescher has seen signs of recovery, measured by the level of sales inquiries, come and go without a machine being sold. The East Germans burned their fingers in the West last year, especially in the UK where an estimated £1.4m worth of stock was hardly moved.

Unlikely Western machine tool manufacturers, WMW feels it can afford to be a little more sanguine about prospects for an upturn in Western Europe. The East German machine tool industry has a virtually insatiable market in the Soviet Union.

"Demand from the USSR is endless," says Dr Prescher. "It is our fastest growing and technically most interesting market." In the past 10 years, the East Germans claim to have retooled completely the Soviet electric motor industry and WMW has recently signed a $190m contract with Moscow—one of the biggest machine tool orders ever.

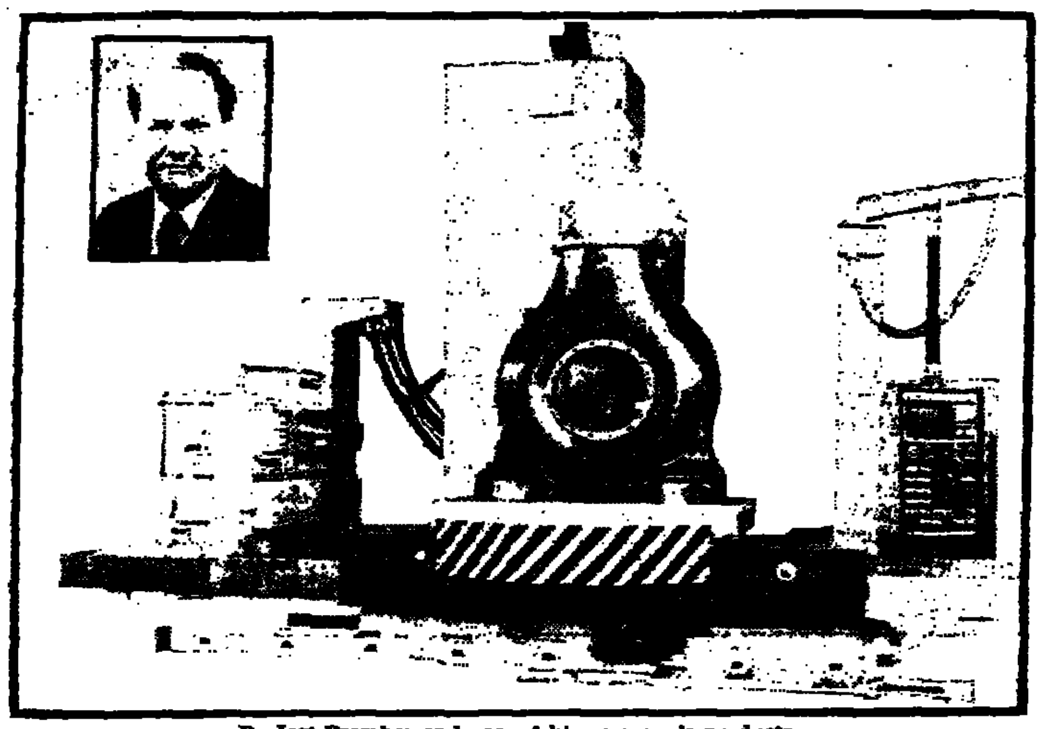
It is almost impossible to calculate how profitable this trade is. Dr Prescher admits that barter arrangements are involved in a "remarkably high" percentage of sales. This probably means that almost all sales within Comecon involve compensation agrements. Barter trade also extends elsewhere, including the sale recently of around 1,000 milling machines to Iran.

Despite the imposition of rigid production strategies on the East German industry by the Socialist authorities, the country has proved a natural centre for the production of sophisticated products for Comecon. The industry shares, with its West German counterpart, a tradition for export and for building specially tailored machines.

Currently, some 75 per cent of production is exported, with nearly half the exports going to the Soviet Union and about 20 per cent to the West. As recently as 1977, exports accounted for more than 90 per cent of output. As a measure of industry's preoccupation with custom built machines (unlike the mass production of the Japanese), Dr Prescher claims to make less than 20 per cent of his exports to the West from stock.

East Germany is probably the fifth biggest producer of machine tools in the world—after the U.S., Japan, the Soviet Union and West Germany. Its exports in 1979, worth some $660m, were worth only a little less than those of France and Britain combined. By 1981 exports had risen to $882m. The industry employs more than 70,000 people in 42 plants, centred chiefly around Karl Marx Stadt and grouped into four broadly specialist "kombinats" (combines).

Despite the Soviet market, which made up for losses in the West by increasing its intake of East German machine tools by nearly 20 per cent last year, Western markets are crucial to WMW.



Dr Jost Prescher and one of his company's products

With the development of computer controlled flexible manufacturing systems (FMS), East German engineers privately admit they badly need a showcase for their technology in the West.

They have the technology, and claim, like a number of Western manufacturers, to have been first with FMS — having built a system for their own use in 1970. That particular system, according to Western observers, is not particularly efficient or flexible, but then neither were any of the early Western attempts.

But this early development does show a freedom to innovate without needing a return on investment which could spell trouble for Western manufacturers enthusing about FMS, who tend to see only the Japanese over their shoulders.

Largely because East German machine tool manufacturers have had to keep up with demand for increasing sophistication from Moscow, they are now in a position to pose a serious challenge to Western manufacturers who are beginning to design and sell automated systems.

The key to their good position is an informal partnership with Asea, the Swedish robot builder. Asea and WMW have already built one FMS in East Germany and are looking for other opportunities.

WMW has quoted for three FMS systems in the UK, including one for a nationalised company, and salesmen say they have had inquiries about others. Although partnerships like the one between WMW and Asea are not uncommon in the West, observers believe the Swedish group's robot and systems expertise places the East Germans with the leaders in FMS.

Although almost all interest in machine tools today is being generated by FMS, the systems are expensive and still regarded by industry in the West with some reserve. For the moment, the single "stand alone" machine forms by far the bulk of any manufacturer's output.

WMW salesmen and engineers acknowledge that their products are at best on a par with EEC competitors on price, but much more expensive than the Japanese in the important computer-controlled machining centre and lathe markets.

Their difficulty until now has been the enormous cost of adapting Western electronic controls to the machines they sell in the West. In the past five years the Machine Tools Ministry has spent an undisclosed sum perhaps as much as $5m on developing their own computer controls, but these have been met with scepticism by Western buyers. For this reason, nearly all the machines sold in the West are still being fitted with Western control systems, chiefly Siemens.

With the control system accounting on average for half the cost of a complete computer numerically controlled (CNC) machine tool, the result has been to maintain WMW prices in the West at roughly 20 per cent higher than the East Germans believe they need to be.

WMW salesmen feel, however, that 1983 may present a new opportunity to establish their own control systems in Western markets. They claim, and a number of Western *machine tool experts agree, that* a new family of East German CNC controls broadly matches *any competition.*

Polish authorities told they must replace force with persuasion

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH authorities will have to use persuasion and argument, rather than their present repressive methods, to combat *the underground move*ment once martial law is lifted completely. This is the view of Col Stanislaw Kwiatkowski, head of the Government's new public opinion research centre.

Writing in Trybuna Ludu, the Communist Party newspaper, Col Kwiatkowski points out that the present "opposition is basically intellectual and it is on this field that it should be faced." He implies that the authorities are unprepared for this kind of *confrontation, in which the* party hardliners — "the ideological gendarmerie" as the colonel calls them — will be of little use.

Effort should be concentrated on winning the support of the population, to isolate the opposition rather than eliminate it, he suggests.

Col Kwiatkowski says that while the police and courts will continue to serve a purpose, "force will not resolve much." *Prison sentences, he implies,* only serve to create martyrs.

These *moderate* views are noteworthy, coming as they do before a meeting later this month of the party central committee which will be devoted to ideology

In a rare public admission recently, Col Kwiatkowski wrote that there was hardline opposition inside the party to the present leadership, recruited, he implies, from the discredited central *organisation.*

His statement drew fire from a former ideological official who wrote in Trybuna Ludu that the colonel was neglecting the dangers represented by the "liberal" wing in the party.

● A senior Polish planning official has reiterated the Government's interest in achieving convertibility for the zloty, the country's currency.

"The road to convertibility is long and difficult but the first *steps have been taken,*" Mr Stanislaw Dlugosz, a deputy head of the Planning Commission, told the *Zycie Warszawy* newspaper.

Hungary had advanced furthest in the Socialist bloc towards convertibility, he said, claiming that a system of retention quotas introduced last year had started the process in Poland.

Convertibility is one of the aims of the economic reforms *instituted last* year. Under the quota system, exporting companies are permitted to spend, as they see fit, a percentage of their hard currency earnings.

Normally, they would have to apply for funds to a Planning Commission steering committee. The bulk of import finance is allocated in this way.

Consumer optimism grows in EEC

By Larry Klinger in Brussels

CONSUMERS IN the European Community are becoming increasingly "less pessimistic" about the economic outlook, according to a European Commission report published yesterday.

Households surveyed in January reported improved personal finances compared with three months ago and indicated the greatest optimism in nearly *four years* that inflation was being brought under control. Moreover, they expected no further serious deterioration in the trend in unemployment.

However, the Commission's overall "consumer confidence index" remained unchanged, reflecting a deterioration in prospects for the purchase of large durable goods.

The report follows this week's Commission survey of wider economic trends which indicated a considerable upsurge in optimism among EEC industry about the prospects for economic recovery.

Consumer opinion varied considerably by country. Views on economic prospects improved substantially in West Germany, France, Italy, Denmark, Ireland and the Netherlands, but they *deteriorated* noticeably in Britain and Belgium.

The Commission noted, however, that, although the UK went against the EEC trend, British consumers were still, on balance, "less pessimistic"

Signs of recovery seen in Belgium

The Belgian Economics Ministry has reported signs that the economy may be entering the early phase of a recovery, AP-DJ reports from Brussels. In its latest monthly bulletin, the Ministry said a moderate improvement in industrial production can be expected this year.

Investments might also pick up slightly, buoyed by government incentives and an upsurge in Belgian exports.

Businessmen are expecting a slight economic upturn in the first quarter, the report said, and the stabilisation of unemployment recently points in the same direction.

Italian public employees strike

By John Philips in Rome

SOME 300,000 Italian public employees held a day-long strike yesterday in pursuit of a new labour contract that was delayed by the long wrangling before the historic agreement on wage indexation signed in January.

More than 800 Austrian lorries *were held up at the* Brenner Pass and other frontier posts in northern Italy as customs officials joined the dispute. Tourism was also disrupted severely.

Government ministries, libraries and museums throughout Italy were closed by the stoppage called jointly by the three main union federations—the Communist-dominated CGIL, the Christian Democrat-linked CISL, and the Socialist-backed UIL.

The pay contracts expired in December, 1981, but the national employers' federation declined to renew them until the problem of the *scala mobile* system of wage indexation was resolved. The search for new two-year contracts is seen as the first major test of just how far the indexation accord will guarantee industrial peace.

So far, the unions have only risked limited industrial action, such as a one-day *strike* by *more than 1m metalworkers last* month.

Althonugh trade unionist still *use the militant* language *that* grew out of the agitation of the 1970s, all-out strikes of the kind found in other countries in Europe almost never occur and many Italian employers say workers make up lost time with extra effort.

In other related disputes, negotiations for a contract for so called "parastatal" employees working in semi-autonomous or Government-controlled agencies *broke down* early yesterday morning.

The new contracts have to be *reached within the terms of the scala mobile* agreement which amounted to a declaration of intent by the Government, unions and employers to try to bring down inflation to 13 per cent this year *from* 16 per cent in 1982.

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EUROPEAN NEWS

Communist threat hangs over Mauroy's package

BY PAUL BETTS IN PARIS

THE FRENCH Government won its vote of confidence by a comfortable 323-155 in the early hours of yesterday after a stormy debate in the National Assembly.

But the victory—a foregone conclusion since the Socialists have an overall majority—was overshadowed by the growing animosity of the Communist party towards the new administration of M Pierre Mauroy, the Prime Minister.

The Communists have warned him they are considering voting against the Government next Monday if he ignores a number of Communist amendments to the tough austerity programme.

The Government, which includes four Communist ministers, will ask the National Assembly on Monday to enable it to rush through some of its new austerity measures by decree law rather than go through the raditional and far longer parliamentary process.

Uncomfortable about their disappointing showing in the recent French municipal elections and embarrassed by the Soviet spy scandal, the Communists are insisting that the Government change some of the latest austerity measures which they feel will hit low-income workers too harshly.

M Andre Lajoinie, the Communist spokesman in the National Assembly, warned during the confidence debate that his party had strong misgivings about the use of the decree law system. Moreover, the party might not vote in favour of the government if its proposed amendments were not taken into consideration by M Mauroy.

The Prime Minister, has suggested he may consider certain changes to accommodate some of the misgivings of the far Left and the labour unions, but he has little room to manoeuvre. He would find harsh opposition from other important factions of the Left, not least M Jacques Delors, the Economy, Finance and Budget Minister, should he seek to water down the package.

Reuter adds: France wants the EEC to adopt a common foreign trade policy, particularly towards Japan and the United States, to avoid the need for protectionist measures by individual countries, Mme Edith Cresson, France's Foreign Trade Minister, said yesterday.

She reiterated France's commitment to free trade but added that when one country's trade balance with another deteriorated seriously, "brutal measures" were inevitable.

She was responding to a question on a possible lifting of French restrictions on imports of Japanese videotape recorders after a recent EEC-Japanese agreement about sales of the machines. She made no commitment to lift the restrictions soon.

French reserves increase sharply

BY OUR PARIS STAFF

FRANCE'S foreign currenecy reserves are being rebuilt in dramatic fashion. In the week immediately following last month's devaluation of the franc within the European monetary system, the Bank of France's foreign exchange reserves were reconstituted by more than $5bn (£3.3bn).

This recovery in the level of net currency reserves was far more pronounced than that following the last two devaluations of the franc within the EMS.

Figures released by the Bank yesterday show that the equivalent of FFr 34.2bn in foreign currency was added in the week of March 24-31.

Monetary officials attributed this extremely rapid reconstitution largely to technical factors. Foreign currency reserves had been depleted to defend the franc just before the latest devaluation. Dealers and foreign currency operators had sold francs particularly heavily in expectation of the franc devaluation. They are now buying back francs at a similar rate.

The monetary officials in Paris expect the pace of reconstitution to slow down in coming weeks, however. They say France needs to increase its foreign currency reserves by an additional $2bn-3bn to return to the level before the most recent franc crisis.

Although the latest statistics are encouraging for the French monetary and economic authorities, officials point out that the fundamental problem for the franc remains a foreign trade deficit currently running at around $1bn a month. Balancing this drain has become a priority of the Government.

None the less, the reserves improvement means that pressure on France to draw on its $4bn Euromarket credit will ease further.

Travel curbs cause neighbours to tighten their belts

RESTRICTIONS on foreign holiday spending were tightened drastically in the French austerity package unveiled last Friday. Tourist spending in foreign currencies was limited to FFr 2,000 (£182) per adult per year and half that for a child under 10 years. Use of private credit cards abroad has been banned but businessmen may use company cards. French travel agents have complained the measures will hit them hard. Neighbouring countries, too, will feel the effects, as Financial Times correspondents report.

SPAIN, which receives more tourists from France, than from any other country is mounting a big publicity campaign north of the Pyrenees to keep the inflow going, writes **David White in Madrid.**

Officials believe that travel in Spain is relatively cheap enough to prevent a big fall and even hope that the country can benefit by the French tourism that more costly destinations stand to lose.

They say that the French may now turn to Spain as the only way of remaining in pocket through a foreign holiday. Thus, despite the evident concern of the tourism business, the negative impact is being played down. The campsite trade at least, is expected to thrive.

The advertising campaign is backed up by leaflets showing French families what they can do within their spending limits.

The measures are expected to have more impact in the hotel business of the Costa de Sol, the Spanish Mediterranean islands, and the Canaries, than in the Costa Brava which attracts masses of low-spending French visitors.

Although the French account for a quarter of Spain's foreign visitors—almost 11m out of 40m in 1982—barely half are considered genuine tourists. Many others simply cross the border on shopping expeditions.

The French also spend much less in Spain than other nationalities. In terms of hotel nights in Spain last year they accounted for little more than 5 per cent, compared with 24 per cent for British holidaymakers and 19 per cent for the West Germans.

Over the Easter weekend, passenger car traffic over the French-Spanish border actually showed a sharp increase and holiday operators detected little or no impact from the French measures. But they said it was too soon to judge the effect on summer trade.

● Italian hoteliers and travel agents have already voiced alarm at the effect on their business of the French currency restrictions — perhaps forgetting that Italy has had similar restrictions in force for years, writes **James Buxton in Rome.**

Until the announcement from Paris they had hoped that the combination of Holy Year in Rome with the recent devaluation of the lira against the Deutsche Mark and its low level against the dollar would produce a record season, following last year's highly satisfactory one.

The impact of the French restrictions on visitors to Italy cannot yet be measured but hoteliers and restaurateurs, already counting the cost of a miserable Easter when it snowed in some hill towns of central Italy, fear that the austerity measures imposed by Paris may dash their hopes.

The French are the second most important source of tourists to Italy, after the West Germans. Each year there are about 2m registered arrivals by Frenchmen, and 8m of the 100m or so tourist-nights accounted for by foreigners in Italy are taken by French tourists.

The figures show, however, that the average Frenchman spends only half as long in Italy as the average West German—four nights instead of eight. This is partly because many journeys are only cross-border excursions of a day or two into the areas closest to France — exactly the kind of trip that Frenchmen, boarding their travel allowance for longer holidays, might eliminate.

Unlike the West Germans, most of whom throng the beaches of north-east Italy, the French have a reputation for being more assiduous sightseers, for travelling independently and penetrating—further south — in greater numbers. But a good number also go to seaside resorts and villas.

● French restrictions on tourism caused more indignation, touched with hysteria, than economic damage in the western, largely French-speaking part of Switzerland over the Easter weekend, writes **Anthony McDermott in Geneva.**

But all these cantons—mainly Geneva, Valais, Vaud, Neuchatel and Jura—expect their tourist industries to be damaged unless President Francois Mitterrand can be persuaded to make some exceptions when he visits Switzerland on April 14-15. The Government in Berne has expressed "irritation" at what it regards as protectionist measures.

French tourists are popular in Switzerland not because of their overall numbers—with 3m nights spent in 1982 they are in third place after West Germans and Americans, but because of the regularity of their visits throughout the year. A third of their nights are spent in summer and the rest in the winter season.

Income is officially put at about SwFr 250m (£80m) a year, but the overall contribution to the economy is probably closer to SwFr 400m (£129m).

But the effects vary in the French-speaking area Valais and Vaud will be worst hit. In the former, the French make up about a third of both nights spent and number of tourists; in the latter about half. Holiday centres such as Villars-sur-Ollon in Vaud expect serious effects on hotels, restaurants and rented flats.

OVERSEAS NEWS

Michael Thompson-Noel in Canberra reports on Australia's forthcoming national economic summit

Hawke's Herculean determination is put to the test

Sir Keith Campbell (above) and Sir Arvie Parbo . . . among top businessmen

AUSTRALIANS are by nature combative—hence their brooding disbelief at the unaccustomed calm that has gripped the continent in the five weeks since Mr Bob Hawke and his Australian Labor Party swept to an historic landslide win in the country's General Election on March 5.

There have been some diversions: Mr Hawke's 10 per cent devaluation of the Australian dollar on March 8 (a move necessitated by substantial capital haemorrhaging); a visit of the Prince and Princess of Wales; a looming constitutional showdown with the State of Tasmania over the proposed damming of the South West wilderness; and substantial falls of rain, which promise to break the country's costliest - ever drought.

On Monday this mood will change. Mr Hawke is due to open a week-long national summit meeting in Canberra the success or failure of which could colour not only the career of the Hawke Government, but also Australia's economic and business prospects until the end of the decade.

Mr Hawke says the main aim of the meeting is to help foster an attitude of national co-operation and consensus following what he calls the divisiveness of the seven-year reign of the former Liberal PM, Mr Malcolm Fraser. His rejection by the voters was so humiliating that he has resigned from parliament altogether.

Mr Hawke hopes the summit will address itself to possible solutions to the problems that bedevil the economy, especially the future management of wages and the handling of wage claims.

Next week's line-up is certainly impressive. The Government is fielding eight Ministers, while there will be 14 representatives from the six states and the Northern Territory.

The unions will be represented by the 27-member executive of the Australian Council of Trade Unions. Employer and business groups attending include the Australian Bankers Association, the Chamber of Commerce, the Industries Development Association, the National Farmers' Federation, and the Metal Trades Industry Association.

There will also be a clutch of top businessmen, including Sir Peter Ables (Thomas Nationwide Transport), Sir Keith Campbell (Hooker Corporation), Mr Brian Kelman (CSR), Mr Brian Loton (Broken Hill Proprietary) and Sir Arvie Parbo (Western Mining). All told, about 100 will attend, plus advisers, observers, lobbyists and media.

At present, things are running Mr Hawke's way, for both the employers and the unions are in an optimistic mood, and ready to make concessions provided they are not seen to get egg on their faces. Tough talking is inevitable however.

As a prelude to the summit, the Government yesterday published a swathe of economic data, to help convince Australians of the country's current economic plight. This exercise of "open government" has caused near seizure in the media.

AUSTRALIAN FEDERAL BUDGET

Financial year	Budget outlay ($Abn)	Increase over preceding year (%)	Outlays as proportion of GDP (%)
1979-80	31.7	9.1	27.6
1980-81	36.3	14.6	27.8
1981-82	41.3	13.9	27.8
1982-83 (est.)	48.8	18.0	30.2
1983-84 (est.)	54.6	12.0	31.6

Source: Department of Finance

The most immediate major worry is a projected federal budget deficit for 1983/84 of A$9.6bn (£5.6bn) against an expected A$4.3bn deficit in the current year. This is far greater than the A$6bn projected deficit Labor thought it was inheriting, and stems mainly from a 5.6 per cent boost in real terms in projected budget outlays to A$54.6bn.

This figure, released for the first time yesterday, is the largest real increase for almost a decade, and represents a record 31.6 per cent of forecast Gross Domestic Product. The size of the projected deficit has proved a bitter blow for Labor — jeopardising its election promises to boost public investment and cut income taxes. In addition, Labor had said it would create 500,000 jobs and produce a growth rate of 5 per cent by 1986.

Other signs are also not promising. Australia's inflation rate is 11 per cent, more than double that of its major OECD trading partners. Unemployment last month was 10.4 per cent, and rising. Despite the rain, the rural economy is still badly depressed and mining profits have been decimated.

The balance of payments continues to be characterised by large current account deficits financed largely by private capital inflows. In 1981-1982 the current account deficit was A$9bn, or 8.1 per cent of GDP.

Much tension next week will focus on wage inflation. In the 12 months to December 1982 total average weekly earnings rose by 14.8 per cent, harming still further Australia's international competitiveness, and contributing to mounting lay-offs, particularly in the embattled car, coal and steel industries.

Other fundamental problems that the summit must discuss include restoration of profit levels; industry and trade protection policy (particularly the feather bedding of certain key sectors); macro-economic policy; industrial relations; and job creation.

The meeting will produce a lot of hard pondering and, knowing Australians, probably a deal of hard cussing. For Mr Hawke and his Government, it will be vitally important. The authority of Mr Hawke's election win on March 8 was such that in the view of commentators, he is in a position to do almost what he chooses.

Yet his options are limited, which is why, next week, his famous charisma and Herculean determination will be put fully to the test.

China bans cultural exchanges with U.S. in tennis star row

BY MARK BAKER IN PEKING

CHINA HAS stepped up its attacks on the U.S. over the granting of political asylum to tennis star Hu Na by banning all planned cultural exchanges between the two countries this year.

A list of nine items cancelled includes exchanges of film exhibitions, musical and theatre groups, art exhibitions and return visits by artistic and journalistic delegations.

The move is the latest in a series of increasingly strident reactions by the Chinese. A diplomatic protest note was delivered to the U.S. Ambassador in Peking, Mr Arthur Hummel.

In its first reaction, the U.S. issued a two-line statement saying: "We deeply regret the Chinese overreaction to the Hu Na case. Any other comment will have to come from Washington."

China's Ministry of Culture announced that the cultural ban would apply to "all remaining items of cultural exchange with the U.S." this year.

The ban will force cancellation of a U.S. film week in Peking in July, a visit by the Juillard string quartet in August and an exhibition of art from the Brooklyn Museum. It will stop an exhibition in the U.S. by five Chinese artists.

Other events affected will be a general proposal for an exchange of a "small performing arts group", and reciprocal tours by cinematographers, journalists, foreign language publishers and groups led by the directors of Voice of America and Radio Peking.

The director of China's bureau of cultural relations, Mr Ding Gu, said the granting of asylum was "a serious political incident engineered and premeditated for a long time by the U.S. with regard to this matter.

"The U.S. Government has acted wilfully in disregard of China's just demands and, on the pretext of Hu Na's non-existent persecution, has granted her so-called political asylum," he said.

"This move by the U.S. Government is extremely unfriendly to China from a political point of view."

Chinese infanticide epidemic confirmed

BY OUR PEKING CORRESPONDENT

AN OFFICIAL survey has confirmed indications that China is experiencing an epidemic of infanticide because of its policy of limiting families to one child.

The survey has found that in some rural areas the killing of female children by people determined to have sons has created a five to one imbalance between male and female infants.

In one production brigade of about 100 families in the central province of Anhui, 40 new-born girls were drowned in 1980 and 1981.

In another brigade in the same province eight babies were born last year. Of the five girls, three were drowned and two others were abandoned in public places.

There have been increasing numbers of reports in recent years of the killing and mutilation of female infants because of the conflict between China's tough new birth control measures and the traditional importance of male children, but there have been no detailed official figures.

The growth of the problem was indicated in last year's census, which is believed to have confirmed an excess of male over female children in every province of China.

Official concern was underlined at the National People's Congress last November when the Premier, Mr Zhao Ziyung, said: "We must protect infant girls and their mothers. The whole society should resolutely condemn the criminal activities of female infanticide and maltreatment of mothers."

Details of the recent survey, by the All-China Women's Federation, were published in the Communist Party newspaper People's Daily, with an editorial calling for firmer action to deal with the problem.

The survey covered figures from the counties of Quiaoxi and Huaiyuan between 1979 and 1981. From normal ratios in 1979, both counties had experienced a rapid increase in the preponderance of male infants to a level of more than 16 per cent.

The Women's Federation and the People's Daily both urged greater enforcement of the law against people who killed their children and greater efforts to educate the public. The federation described the spate of infanticide as being caused by "the feudal ideology of treasuring boys and slighting girls."

U.S. to speed arms deliveries to Thailand

BANGKOK — The U.S. is to speed arms deliveries to Thailand, with an airlift as one of the options, a senior U.S. State Department official said yesterday.

Mr Paul Wolfowitz, U.S. Assistant Secretary of State, who had toured parts of the border with Cambodia, said he had discussed the arms shipments with Prem Tinsulanonda, the Prime Minister.

The U.S., Thailand's prime arms supplier, staged an emergency airlift into Thailand in 1980 following a Vietnamese incursion into Thai territory.

The White House is seeking from the U.S. Congress a 9 per cent increase in the arms package to Thailand for fiscal year 1984 to $99m plus another $2.4m in military training funds.

Thai forces have pushed all introuding Vietnamese soldiers back into Kampuchea, army commander-in-chief Kamlang-Ek said yesterday.

He said that the Thai army had found the bodies of more than ten Vietnamese soldiers on Thai soil and seized a large number of Vietnamese weapons which would be put on public display.

● Moscow has told the Asean nations that Vietnam would retaliate by backing insurgent groups unless the five countries stopped opposing Hanoi's policies in the region, a Singapore commander-in-chief Arthit Kamlang-Ek said yesterday.

The warnings came from Mikhail Kapitsa, Deputy Soviet Foreign Minister, during talks with Sinnathamby Rajaratnam, Singapore's Deputy Prime Minister, Suppiah Dhanabalan, Foreign Minister, and senior government officials.

Agencies

Ivory Coast's $300m World Bank loan nears

BY PETER BLACKBURN IN ABIDJAN

THE IVORY COAST is believed to be close to agreement with the World Bank on a $300m structural agreement loan.

The loan, an important element in the Government's $1.2bn external borrowing programme for 1983, would be double the size of the first structural adjustment loan made in December 1981, but would be of a similar 12-month to 15-month duration.

The Ivory Coast loan is likely to be accompanied by measures to promote export industries and low-cost housing schemes. It is unlikely, however, that there will be any provision for technical assistance as the Government is cutting down its use of high-cost foreign experts.

Meanwhile, the final tranche of a three-year SDR 484.5m extended fund facility from the IMF is due to be released shortly. In addition there is an estimated $55m IMF reserve carried over from 1982.

The country has withdrawn temporarily from commercial markets, having borrowed massively in the late 1970s on the strength of the cocoa and coffee price boom. It continued borrowing after these markets collapsed by using its potential oil wealth as collateral.

The country's debt has caused misgivings among bankers, especially as oil reserves are now thought to be less substantial and more expensive to exploit.

Medium-term and long-term public debt is expected to rise to $6bn, while debt sevicing is expected to jump almost a third to $1.2bn

In the Ivory Coast's last venture on the international capital markets, a $150m loan for balance of payments support arranged by Bankers Trust was closed in December 1982 nearly $30m short.

Although the Ivory Coast's debt service is forecast to swell further in 1984, Mr Leon Naka, director-general of the Government's debt management agency, says it should stabilise by 1985.

"The easing of Libor rates since mid-1982 and the recent recovery of cocoa and coffee prices together with the first signs of improvement of the U.S economy are encouraging signs," he said.

Some bankers, however, are concerned that publicity given by the official media to bush fire damage to cocoa and coffee crops – which provide more than 50 per cent of the country's export earnings – could harm the country's credit rating while giving only a brief boost to prices.

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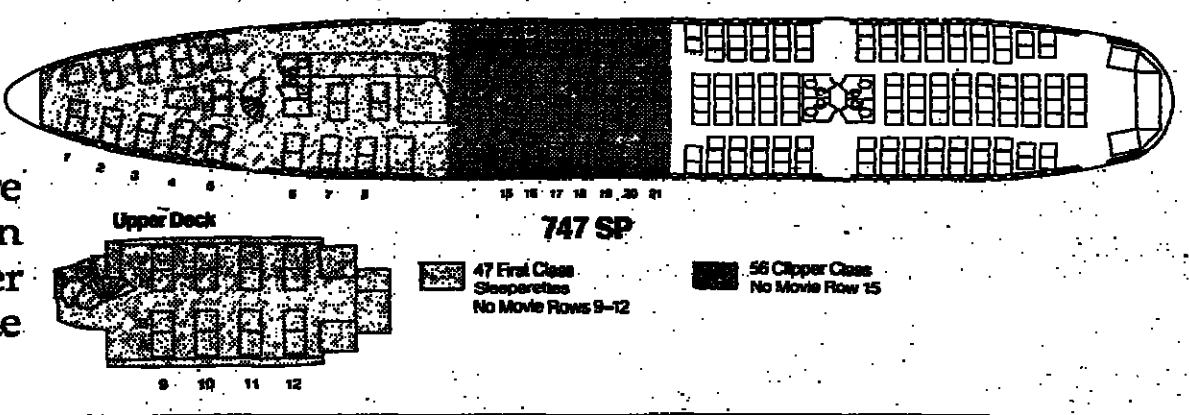

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BL begins negotiations on Rover car plant for India

BY JOHN ELLIOTT, RECENTLY IN NEW DELHI

NEGOTIATIONS have started between BL and Standard Motors of Madras for production of Rover saloons in India.

Standard produced Triumph Heralds till the late 1970s. It still has a licence to make about 3,400 cars a year, but at present is only producing a derivative of BL's old Standard Atlas light commercial vehicle in pick-up and van forms.

The plan is to assemble perhaps 3,000 Rover saloons a year which BL would deliver in knocked-down form from the UK. The engine would be a BL-designed 2.5 litre diesel already used by Standard in its Atlas vans.

Despite the company's name, there is no financial link between Standard and BL whose Indian manufacturing activities are based on Ashok Leyland, also of Madras. Ashok makes heavy trucks and buses.

Mr Karthik Narayanan, chairman of Standard and a former president of the Indian motor manufacturers' trade association, is now trying to assemble a financial package for the Rover project before seeking Government approval.

The Government's current policy is to concentrate on small-car production. Suzuki of Japan is to produce an 800cc range in partnership with Maruti, a Government-owned company, in Delhi. A fibreglass 800cc car is also being produced in Bangalore under licence from Reliant of the UK.

At present most cars on Indian roads are derived from Morris Oxfords and Fiat 100s of the 1950s. The Oxford, called the Ambassador and manufactured by Hindustan Motors of Calcutta, is being updated with a Vauxhall Victor body from the UK and an Isuzu engine from Japan.

The Fiat, made by Premier Automobiles of Bombay, is to be given a Seat 124 body and, possibly, a new European or Japanese engine. Premier, owned by the Walchand Group, has been the subject of take-over rumours with two diversified groups—Goenke of Calcutta and Mafatlal of Bombay—being mentioned as possible bidders.

Japanese companies are beginning to dominate the rest of the automotive industry, negotiating deals for the production of light commercial vehicles and two-wheelers. This would leave a gap for a modern saloon at the top end of the market which the Rover could fill.

Bridget Bloom, defence correspondent adds: Mr Geoffrey Pattie, British minister in charge of defence equipment procurement and sales, is to visit India on a sales tour on April 17. Mr Pattie, who will be accompanied by Sir James Blyth, head of defence sales, hopes to interest India in buying additional Sea Harrier fighters, and Sea King helicopters.

Britain also believes there could be potential sales for the Rapier air defence system, for the Vickers tank and for marine and aircraft engines.

Sharp increase in EEC imports hits Britain's textile industry

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

A LARGE rise in imports from the EEC last year contributed substantially to a record UK deficit of £1.3bn in its trade in textiles and garments.

This was a 23 per cent jump over 1981 and the way in which imports of yarn, fabric, carpets and certain types of knitwear from the community had risen so strongly was "particularly worrying," according to the British Textile Confederation.

This rise had occurred despite a 4 per cent fall in consumption of textile products.

"The effect of the rising trend of imports from the EEC is exacerbated by the disappointing performance there of our exports in recent years," the BSTC said yesterday in Textile and Clothing Imports in 1982, its annual review of the import trade.

"The UK is not unusual in having a high volume of imports from other Community countires, but it is unusual in the low share of their markets taken by its exports."

The report goes out of its way, though to distance itself from the criticisms made by Far Eastern suppliers that it is the rise in imports from high-cost European suppliers which is solely to blame for Britain's problems.

While admitting the rise it claims that "the majority of products where the EEC is a major supplier differ from those most subject to low-cost competition. Where the two overlap, EEC imports are mostly of finished cloth."

Total imports rose 1 per cent by volume last year, there being strong growth from Mediterranean countries such as Portugal, Turkey, Malta, Cyprus and Tunisia as well as the Lomé group of countries. The most notable drop in overseas goods was from the U.S. and the low-cost producers.

Hopes in the textile trade that there might have been some recovery towards the end of the year have been dashed by statistics which show a particularly adverse trend in the last quarter of the year, imports being up 2 per cent and exports down 11 per cent, both by volume.

The BTC lays much of the *blame for the disappointing* performance at the door of an overvalued exchange rate, at least until the sharp fall in the value of sterling in November and further de-stocking.

The result has been a further strengthening of imports in the UK. By comparison with 1979, when they accounted for 53 per cent of final consumption by weight, they had risen to 64 per cent last year.

Textile and Clothing Imports in 1982. British Textile Confederation, £25 to non-members.

Common policy sought by engineers

By Christian Tyler, World Trade Editor

COMPETITION from foreign companies in British engineering companies' home and traditional export markets has prompted their national federation to try to work out for the first time a common policy towards trade protection and industrial subsidies.

The Engineering Employers' Federation has drawn some preliminary conclusions about what its line should be from a private seminar attended by more than 70 member companies.

It suggests the industry should campaign for maximum freedom of trade and competition, but at the same time insists the UK Government match official support given to its overseas rivals.

The EEF also suggests, perhaps more controversially, that industry aid should be diverted away from regional grants and towards research and development, including product and market development.

Companies may also be encouraged to report "unfair practices" by other EEC countries to the Commission in Brussels.

Retaliation against foreign protectionism and unfair trading practices is seen as counterproductive for a big exporting industry such as engineering. But the EEF suggests the industry may want to press for domestic protection to safeguard threatened technological capability "in key areas."

The federation believes that, although it is traditionally an industrial relations collective, it is better placed than, say, the Confederation of British Industry, to formulate a trade policy for UK manufacturers. However, it remains to be seen whether it can produce a policy acceptable equally to successful electronics companies as to struggling metalworking concerns.

The fledgling policy will be debated by the federation's economic committee and management board. When it finally emerges it will serve as guidance for the industry's approaches to government on cases as they arise.

MANUFACTURERS TILT OVER NEW PRODUCT

Boeing set to pre-empt Airbus plans

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING, the U.S. jet airliner builder, is prepared to move immediately to counter any formal decision by Airbus Industrie, the European jet airliner consortium, to launch a new 150-seater project, the A-320.

Mr J. F. Sutter, executive vice-president of the Boeing Commercial Airplane Company, made it clear this week that his company was continuing its detailed research and development studies into a wide range of new airliner types, including a possible new 150-seater design of its own, called the "7 Dash 7," spending over $10m a year on that venture alone.

Airbus Industries is still trying to put together its plans for the A-320 150-seater, with discussions between prospective French, British, West German, Canadian, Dutch and Japanese manufacturing partners, while continuing development of its existing products, the 250-seat A-300 and 200-plus seat A-310.

It is holding talks with airlines on the project and it hopes that by the time of the Paris Air Show, in late May and early June, it will be in a position to say more about the formal launching of such a venture.

Boeing, however, views the Airbus Industrie's efforts calmly.

Boeing does not see any such 150-seater aircraft emerging until about 1989. Its view is that if necessary it could beat Airbus with earlier deliveries of a new derivative of its existing twin-engined 737, that would adequately meet the airlines' immediate needs for any 150-seater, at a much lower cost.

This would be called the 737-400, which would feature a modified wing, a stretched fuselage, and the Franco-U.S. CFM-56 Dash 3 engine, and be capable of carrying between 150 and 160 passengers. It would be a derivative of the 737-300 (an improved version of the existing 737-200) which is already under development for use next year.

Boeing could not only beat Airbus Industrie in the world market with the 737-400, but be cheaper by several million dollars per aircraft, according to Mr Sutter.

This would still leave Boeing free to concentrate on the later 1990s development of an even more advanced 150-seater aircraft, incorporating even more advanced technology, including a new engine, under the "7 Dash 7" designation.

Far from feeling that Airbus Industrie is leading the fight with its current emphasis on the A-320, Boeing believes that it has already got Airbus "boxed in" with its current range of short to medium-range transport aircraft.

The 757 is already available in the 180-plus seat category,

Airbus Industrie's efforts to launch a 150-seat aircraft appear to be posing little threat to Boeing, the world's largest airframe manufacturer. The U.S. company says it can upgrade its smaller 737-300 aircraft into the 150-seat range at relatively little cost, giving it a market and sales edge over the France-based European Airbus consortium

while the 737-300, which will be available from early next year, with the CFM-56 Dash 3 engine, will be capable of carrying up to 149 passengers in an all-tourist configuration. To turn that aircraft into a 150-160-seat 737-400 would be a comparatively simple operation.

The 737-300 itself is already capturing much of the market Airbus expects to win with any A-320, and is threatening to capture more.

One possible buyer is British Airways, which needs up to 20 new short-haul jets before the end of 1985, to enable it to replace existing ageing Trident and One-Eleven jets which will be rendered obsolete by that date because of new noise laws that ecome effective in the UK on January 1, 1986, and progressively thereafter throughout Western Europe.

Any A-320 becoming available in 1988-89 would be too late to meet BA's immediate needs, whereas the 737-300 is already timed ideally for those needs, and could eventually also be replaced by the improved 737-400 when it became available.

Boeing believes its hold on the short-range twin-engined jet market remains strong.

It regards its most formidable competitor in this market as McDonnell Douglas, whose own DC-9 Super 80 has captured significant orders in recent months.

Boeing is showing considerable interest in the proposed joint international development of a new aero-engine for short-range jets by Rolls-Royce, Pratt and Whitney, three Japanese aero-engine companies and Fiat of Italy and MTU of West Germany.

Mr Sutter said this week that so far, no-one had told Boeing what the price of such an engine would be, and there were no details of it.

But it appeared to be a genuine effort by the engine makers to meet the future need for an engine in the 20,000 lbs-plus thrust class, and Boeing would consider it seriously for any eventual 737-400 or later "7 Dash 7" venture.

Exports to Uganda 'set to rise'

BY STEPHANIE GRAY

BRITISH EXPORTS to Uganda could easily double to £60m a year over the next three years, according to a report launched yesterday by the British Overseas Trade Board's (BOTB) *Tropical Africa Advisory Group.*

The report, presented at a seminar attended by about 300 businessmen, is based on the findings of the group's mission last month, which assessed political and economic developments in the country.

It noted "vast improvements" in the internal security situation, with only pockets of guerrilla activity, the apparent stability of the Government and the dedication to economic revival by President Milton Obote, Africa's born-again pragmatist.

The remarkable speed with which the country's economy was bouncing back after 15 years of violence and neglect was given as a great cause for *optimism.*

In the past two years, Uganda has returned to self-sufficiency in food, coffee production has risen 50 per cent, cottons by more than 100 per cent, and from a small base, tea production doubled, the report said.

The rescheduling of $574m in external debt and the implementation of International Monetary Fund prescriptions had paved the way for foreign grants and credits amounting to $450m that is to be disbursed by the end of next year. While disbursement was slow, the aid provided excellent opportunities for British exporters.

Further, the report said the rescheduling agreements should clear the way for the resumption by the Export Credits Guarantee Department of medium-term cover after years in which it has been only short-term.

The report also emphasised the substantial opportunities for British consultants and contractors in President Obote's 1982-84 recovery programme. The $736.5m programme, to be financed through increased exports, IMF credits and other grants and loans, is aimed at a steady revitalisation of industrial activity.

Chinese boost for Poland

By Christopher Bobinski in Warsaw

POLAND'S hard-pressed consumers are to benefit from China's policy of stepping up trade with Eastern Europe.

A recent additional trade protocol to last January's agreement for this year means trade turnover in 1983 denominated in Swiss francs, will be worth SwFr 560m (£118m), double last year's SwFr 264m turnover.

The additional protocol includes provision for Chinese trade credits worth around SwFr 94m, a boost to Poles desperate for fresh credits to ease the economic situation.

Chinese goods to be imported under the agreement involve mainly consumer goods such as rice, meat, tea, shoes, clothing and rubber goods.

Concern over U.S. Central America role

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

CONCERN IS mounting rapidly, both inside and outside the Reagan Administration, over covert U.S. involvement in Central America, which is fast becoming a major political issue in Washington.

The State Department was yesterday reported to have raised questions with the White House at the highest levels last week about the legality of U.S. backing for right-wing rebels fighting the Sandinista Government of Nicaragua from bases in Honduras – in a war that was hitherto relatively obscure to most Americans, but which has now become the centre of a blaze of publicity in the U.S. media.

Under an amendment to an appropriations bill passed by Congress last December, the Administration is barred from taking any action for the purpose of overthrowing the Government of Nicaragua. A number of senators have recently protested even more vigorously that the law is in danger of being broken.

Official U.S. policy is to block supplies from Nicaragua to the left-wing guerrillas fighting the U.S.-backed Government of El Salvador and attack the "Cuban infrastructure" in Nicaragua, as well as generally harass the Government. The right-wing guerrillas, however, now claim to control significant areas of Nicaragua territory and to be able to engage the Nicaraguan army in battalion strength.

Their effort began to gather strength in early 1982, about the same time that the Reagan Administration approved $19m in covert aid for their operations. While they represent a number of different factions, a fair amount of their hard-core fighters are former members of the feared National Guard of the late Nicaraguan dictator Anastasio Somoza, overthrown in 1979.

The suspicion among Latin American analysts in Washington is that the Administration is hoping that the guerrillas will make sufficient gains against the left-wing government to produce a mirror image of the situation in El Salvador, where left-wing guerrillas are fighting a right-wing Government. That, it is felt, might produce the basis for a more widely negotiated political solution that would get the El Salvador Government off the hook.

The Nicaraguan guerrillas are beginning to become aware that they are being used by Washington, and now want an expression of open U.S. support. They fear that covert support may easily be quietly withdrawn once Washington feels that its purpose has been achieved.

The concern in some circles in Washington is that, given the guerrillas' growing strength, it will become increasingly difficult to maintain the fiction that they are not fighting to overthrow the Government, which they avowedly are.

Salvador guerrilla leader assassinated in Managua

BY TIM COONE IN MANAGUA

A PROMINENT LEADER of the Salvadorean opposition and guerrilla movement the FDR-FMLN, known as Comandante Anna-Maria, was assassinated in the Nicaraguan capital in the early hours of Wednesday morning.

Her real name was Melida Anaya Montes, a 58-year old teacher, who in 1980 became the second-in-command of one of the main guerrilla organisations of the FMLN, the Popular Liberation Forces (FPL). She had been a key figure in one of the main teachers' unions in El Salvador for 17 years, but because of her political activity and the increasing repression in El Salvador went underground in 1978.

She made frequent trips abroad, organising political work overseas and representing the FDR-FMLN in various political forums, and kept a high public profile outside El Salvador.

She was apparently visiting Nicaragua in connection with this political work when she was killed. Nicaragua's Interior Ministry has stated that as yet the identity of her assailants is not known but they are making efforts to track them down.

The FMLN, in a statement published in one of Nicaragua's daily papers yesterday, claims her murder was the work of the U.S. Central Intelligence Agency (CIA). El Salvadorean exiles in Managua say the murder was politically motivated and professionally carried out and will be a major blow to the guerrillas.

They also fear that her death may be used by opponents of the Nicaraguan Government to try to implicate Nicaragua in the guerrilla war in El Salvador.

● Mr George Shultz, the U.S. Secretary of State, was told yesterday by an influential Congressman that fresh conditions must be met if the U.S. was to provide El Salvador with $60m in emergency military aid, Reuter reports from Washington.

Mr Clarence Long, a Maryland Democrat and chairman of the House Foreign Operations Appropriations Subcommittee, said he told Mr Shultz that a high-ranking negotiator should be named to bring about peace talks between El Salvador's Government and the guerrillas which are fighting it.

El Salvador should also declare an amnesty for all political prisoners, he said. "Right now, if we put this (approval of the $60m) before the subcommittee without any of these things being met, I think without any question it would lose," Mr Long told reporters.

He added that Mr Shultz had promised to consider the new conditions. The Administration has said that El Salvador needs about $30m worth of ammunition and spare parts quickly.

Peru's opposition demands about face

By Doreen Gillespie in Lima

PERU'S APRA party – the country's main opposition group – has presented President Belaunde with a 52-page document demanding a turn-round in the Government's economic policy. The main points under attack are the handling of trade, the foreign debt, fiscal spending and soaring inflation.

A 9.9 per cent rise in March has taken inflation over the past 12 months to a record 90.9 per cent and is threatening to move into three figures by the end of the year.

Government officials say the main reason for this year's jump in the cost of living, which took inflation to 27.5 per cent in the first three months, is the sharp rise in food prices following floods and avalanches in the countryside.

The opposition blames soaring inflation on the crawling peg, which has devalued the sol against the dollar by just over 25 per cent since the beginning of the year, as well as monthly increases in the price of petrol, petroleum by-products, electricity and the gradual elimination of subsidies on basic foods.

Uruguay asks banks for loan approval to meet IMF date

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

URUGUAY'S 75 creditor banks have been asked to approve a $950m rescheduling and new loan package in time to allow the International Monetary Fund (IMF) to endorse the country's economic programme before the end of the month.

Under the IMF programme, Uruguay stands to receive a $410m standby credit for two years in return for policies designed to cut its public sector borrowing requirement and reduce its current account balance of payments deficit.

Target figures contained in the programme are a reduction of the payments deficit to $340m this year and $280m in 1984 from $590m in 1982.

The central government borrowing requirement is to be cut to two per cent of gross domestic product (GDP) this year and ½ per cent in 1984 from nine per cent in 1982, Uruguayan Central Bank officials said yesterday.

If Uruguay can meet the targets for its balance of payments, it should be able to avoid additional borrowing from international banks before 1985. Economic growth is expected to be restored to between 1 and 2 per cent this year after a fall in real output of 8 per cent last year.

Uruguay's creditor banks are now considering the terms of the proposed refinancing package which has been agreed with an advisory group of leading creditors chaired by Citibank and including Lloyds Bank International of the UK.

The package provides for:

● Refinancing over six years, with two years' grace before repayments begin, of 90 per cent of the $788m in public sector debt falling due this year and next. This gives an amount to be rescheduled of $707m on which a margin of 2¼ per cent over Eurodollar rates or 2⅛ per cent over U.S. prime rate will be paid.

● A fresh loan of $240m over six years at the same margins as the rescheduling.

● The rolling over of short-term public sector trade debt amounting to $120m for one year starting in July.

Uruguay's total public sector debt is estimated at about $2.7bn. Its net reserves had fallen to $200m at the end of last year and could drop slightly again during 1983.

New hope of lower U.S. interest rates

BY ANATOLE KALETSKY IN WASHINGTON

MR MARTIN FELDSTEIN, chairman of the Council of Economic Advisers, has denied that the Federal Reserve Board has tightened U.S. monetary policy. The recent jump in short-term interest rates had, he said, been due to end-of-quarter technical factors and short-term interest rates could fall soon towards their earlier levels.

Financial markets have been uneasy and confused for the past three weeks as the key interest rate on federal funds has soared above 9 per cent in response to a combination of end-quarter "window dressing" by banks and uncertainty about whether the Federal Reserve Board is tightening monetary policy.

Mr Feldstein said in a briefing on Wednesday that the markets' fears of a monetary tightening were unfounded and were based on "a lot of false signals and over-interpretation of official statements" about the need for slower growth in the money supply. Although concern about rapid money growth was understandable, the recent increase in monetary aggregates had been "essentially a shift of funds, as a result of deregulation and not really a change in the rate of growth in the money supply," he said.

"We have all said that the monetary aggregates have to grow more slowly in the months ahead," Mr Feldstein said, referring to himself, Mr Paul Volcker, the chairman of the Federal Reserve Board, and Mr Donald Regan, the Treasury Secretary.

"But this does not represent a monetary tightening – just the end of the shift of funds, which will occur gradually in the next few months."

Mr Feldstein also maintained that the U.S. economic recovery is now well under way and that recent statistics on employment and working hours have been very "encouraging" after some "mixed" indicators for February. He predicted that industrial production figures for March, due out next week, will show another increase.

All the remaining uncertainties, about sluggish retail sales, low investment and a trade deficit "somewhere in excess of $60bn" were due ultimately to the impact of high federal budget deficits on long-term interest rates, according to Mr Feldstein.

World Bank steps up non-project loans

BY DAVID BUCHAN IN LONDON

THE WORLD BANK is stepping up its structural adjustment programme as a contribution to easing the Third World debt crisis. It is negotiating loan conditions with several countries, including Peru, Costa Rica, Yugoslavia, Ghana and Togo, a senior World Bank adviser said yesterday.

The World Bank started this form of non-project aid in 1980. It is designed to give general aid to countries willing to undertake "structural" policy reforms. So far 13 countries have received such loans.

At a press conference in London, Mr Stanley Please, the bank's adviser on structural assistance, disclosed that its board had recently decided that structural aid loans could exceed 10 per cent of total lending – it was 9.5 per cent in 1981 and could amount to more than 30 per cent of lending to any one country.

Mr Please noted, however, that increased structural aid would have to come from within the bank's existing resources. Its commercial rate lending was limited by its capital ceiling, and concessionary lending was hampered by lack of funds for the International Development Association (IDA).

Mr A. W. Clausen, the World Bank president, is due in London next week as part of his effort to persuade western governments to put pressure on the U.S. to make good its large, but unfulfilled, commitments to IDA, the World Bank's soft loan affiliate.

BASE LENDING RATES

A.B.N. Bank	10½%	■ Guinness Mahon	10½%
Al Baraka International	10½%	■ Hambros Bank	10½%
Allied Irish Bank	10½%	Heritable & Gen. Trust	10½%
Amro Bank	10½%	■ Hill Samuel	§10½%
Henry Ansbacher	10½%	C. Hoare & Co.	†10½%
Arbuthnot Latham	10½%	Hongkong & Shanghai	10½%
Armco Trust Ltd.	10½%	Kingsnorth Trust Ltd.	12 %
Associates Cap. Corp.	11 %	Knowsley & Co. Ltd.	11 %
Banco de Bilbao	10½%	Lloyds Bank	10½%
Bank Hapoalim BM	10½%	Mallinhall Limited	10½%
BCCI	10½%	Edward Manson & Co.	12 %
Bank of Ireland	10½%	Midland Bank	10½%
Bank Leumi (UK) plc	10½%	■ Morgan Grenfell	10½%
Bank of Cyprus	10½%	National Westminster	10½%
Bank Street Sec. Ltd.	10½%	Norwich Gen. Tst	10½%
Banque Belge Ltd.	10½%	P. S. Refson & Co.	10½%
Banque du Rhone	11½%	Royal Trust Co. Canada	10½%
Barclays Bank	10½%	Roxburghe Guarantee	11 %
Beneficial Trust Ltd.	11½%	Slavenburg's Bank	10½%
Bremar Holdings Ltd.	11½%	Standard Chartered	‖10½%
Brit. Bank of Mid. East	10½%	Trade Dev. Bank	10½%
■ Brown Shipley	10½%	Trustee Savings Bank	10½%
Canada Perm't Trust	11 %	TCB	10½%
Castle Court Trust Ltd.	11 %	United Bank of Kuwait	10½%
Cayzer Ltd.	10½%	Volkskas Intl. Ltd.	10½%
Cedar Holdings	11 %	Westpac Banking Corp.	10½%
■ Charterhouse Japhet	10½%	Whiteaway Laidlaw	11 %
Choulartons	11½%	Williams & Glyn's	10½%
Citibank Savings	¶10 %	Wintrust Secs. Ltd.	10½%
Clydesdale Bank	10½%	Yorkshire Bank	10½%
C. E. Coates	11 %		
Comm. Bk. of N. East	10½%		
Consolidated Credits	10½%		
Co-operative Bank	*10½%		
The Cyprus Popular Bk	10½%		
Duncan Lawrie	10½%		
E. T. Trust	11½%		
Exeter Trust Ltd.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	11½%		
Grindlays Bank	‡10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.5%; 1-month 7.75%. Short-term £8,000/12-months 10.1%.
† 7-day deposits on sums of: under £10,000 7½%, £10,000 up to £50,000 8¼%, £50,000 and over 9%.
‡ Call deposits £1,000 and over 7½%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7½%.
¶ Mortgage base rate.

Thorn in videodisc study with Philips

By Jason Crisp

A MAJOR shake-up in the European videodisc industry may be under way. Thorn EMI, one of the leading supporters of the Japanese VHD videodisc system, is considering supplying programming material for the rival Philips' Laservision system.

The two companies have begun preliminary discussions about co-operation in videodiscs. Philips would almost certainly be keen to have access to Thorn EMI's extensive programme list. This has been precluded while there is a possibility that Thorn EMI will launch a rival videodisc system.

Thorn EMI confirmed yesterday that the discussions were taking place. No decision will be taken until it sees how well the VHD videodisc sells in Japan when it is launched there by JVC later this month.

The worldwide launch of the VHD videodisc system has been repeatedly postponed because of technical problems and fears that there would be very little demand. Thorn EMI which built a costly disc pressing plant in Swindon has written off the investment and postponed the launch indefinitely.

The videodisc has a much higher quality picture than the videocassette recorder (VCR) but cannot be used to record programmes. There are three rival incompatible systems. The cheapest and least sophisticated developed by RCA is Selectavision, which is available in the U.S.

The most sophisticated is Philips' Laservision which is available in Japan, the U.S. and parts of Europe. The other major backer of Laservision is Pioneer, the Japanese company. Most Japanese companies back the third system, VHD.

If the VHD videodisc does well in Japan it is unlikely Thorn EMI would offer Philips any titles. Philips is believed to be particularly interested in some of Thorn EMI's "interactive" programmes it had prepared for the VHD launch before it was finally shelved. The interactive discs are used for educational and informative purposes where the programme jumps to different stages depending on the answer given by the viewer.

At present there are only about 200 titles available on Laservision; although this is expected to rise to 300–400 next year. The amount of available programming material is an important factor in sales of videodiscs. At present sales of videodiscs are very low and only expected to grow slowly. Interactive discs, which are expensive to make, are seen as a particular attraction for videodisc as it is a facility which cannot be offered on a VCR.

Vauxhall on course to offer 'enormous' car component deals

BY JOHN GRIFFITHS

VAUXHALL, General Motors' UK vehicles subsidiary, says it now matches its West German sister company Opel on quality and costs. The 1982 results due at the end of this month will show an operating profit and it is on course for a net profit in the current year.

On the company's current production record, and given no further major change in the sterling-D-Mark relationship, the company "will offer enormous opportunities to the UK components industry next year," Eric Fountain, Vauxhall's director of public affairs, claimed yesterday.

At the same time, Opel executives said that use of UK materials and components at its own plants is increasing: some 180,000 steering units for right-hand drive Cavaliers and Astras currently built in European Continental plants – nearly half of UK Cavalier sales are imports – are being resourced from its own plants to a UK manufacturer, Cam Gears of Clevedon.

Other contracts with UK companies include the supply of 900 tons of British steel a month for Cavalier and Astra pressings.

UK content of Cavaliers built in Britain has risen to nearly 60 per cent, when labour and other overheads are included, and the level will rise further this year, according to Vauxhall.

Next month, it is inviting 1,100 companies in the Luton area to its plant to discuss component resourcing possibilities, with a similar exercise to be undertaken at Ellesmere Port Cheshire where Astras and Chevettes are made – in June.

The proportion of Cavalier sales taken by imports will fall from late summer, when the Cavalier producing plant at Luton is placed on double-shift working.

At about the same time, Luton will also start building an estate version of the Cavalier. Initially, this will be for the UK only. If the model is successful, it is expected that Luton will be the sole source of supply for sales on the European Continent as well.

If this comes about, Vauxhall would become an exporter of cars for the first time in several years.

Ford strikers call off month-long stoppage

BY IVO DAWNAY, LABOUR STAFF

WORKERS at Ford's Halewood plant on Merseyside returned to work last night after voting by a margin of nine to one to end the month-long strike over the dismissal of an assembly-line worker for alleged vandalism.

However, there were strong warnings from shop stewards that strike action would resume if the management now attempted to seize the opportunity to push through plans for substantial changes in working practices.

The company said last night that no such moves would be made until the timetable for discussions had been completed. This would take at least eight days.

Workers at Halewood's body plant, laid off during the recent dispute, have already voted to strike if the new proposals are arbitrarily imposed. There is little doubt that the 4,600 assembly workers at the plant would follow suit.

The return to work comes after both sides agreed to ask the Advisory, Conciliation and Arbitration Service to set up a three-man inquiry to investigate the dismissal of Mr Paul Kelly, who is alleged to have damaged an 83p bracket in a car. Mr Kelly will remain dismissed but on full pay while the inquiry is held.

The dispute has cost the production of 18,000 Ford Escorts valued at £90m in retail prices.

Mr Bill Maguire, the assembly plant convenor, said yesterday that the peace formula amounted to the terms offered to management by the unions when the dispute began.

● British Steel warned last night that the four-day-old strike by 8,000 workers in South Yorkshire may lead to further job losses on top of the 1,709 already planned for its Special Steels Division.

All steelmaking in the division's seven plants in Sheffield and Rotherham, and in stainless steel and railway and ring roll works, has been halted in the first major revolt against the corporation's six-year redundancy programme.

Three thousand members of the Iron and Steel Trades Confederation (ISTC) at Scunthorpe, in Humbershide, staged a 24-hour unoffical strike yesterday in support of the South Yorkshire workers.

Mr John Pennington, managing director of BSC's Special Steels Division, said: "If the strike continues we will find it difficult to sustain the reduced shift levels envisaged in the survival plan, and the prospect could again be one of short-time working and further job loss."

The division had worked hard to recover market share since the 1980 pay strike, he said.

Ian Rodger traces a machine tool group's downfall

Herbert snared by recession

A YEAR AGO, Mr Ron Lynch, a little-known entrepreneur in the machine tool refurbishing business, became the toast of Britain's beleaguered machine tool industry.

Together with an associate, Mr John Wright, he had restored the core lathe-making business of Alfred Herbert only a year after the National Enterprise Board put the Herbert group into liquidation.

The speed and extent of the turnaround was astonishing. A 1979–80 loss of £5m was transformed into a profit of £3.7m in the year to July 31, 1981. A new range of computer-controlled lathes was put into production in January, 1981 and within a year it was the UK market leader with a 20 per cent share.

Herbert's initial success under its new owners was a great morale booster for the UK machine tool industry as a whole. The company was once the largest producer in Europe and is still the best known British name.

"The world looks at Alfred Herbert as *the* British machine tool industry," says Mr Leslie Harkness, chairman of Warner & Swasey Turning Machines, the UK subsidiary of a U.S. competitor.

This fame, together with the company's strong position in the UK market, suggests that the Herbert name and product line will somehow survive, but the big question is why the recovery of 1981 evaporated.

Demand for machine tools has declined dramatically in the present recession. Orders in Britain last year were 65 per cent below the 1979 level. In the U.S., net new orders have fallen by 84 per cent since the first quarter of 1979.

Herbert, under Mr Lynch and Mr Wright has been under capitalised. Although their holding company, Tooling Investments, is private, it is believed to have bought the business from the Herbert liquidators for just £2m, with considerable support from Barclays Bank. Later, Industrial and Commercial Finance Corporation (ICFC) put in £2m in loan stock and preference shares.

Mr Mark Homan, one of the Price Waterhouse receivers, said that loan capital and overdrafts now amount to £10m and total debts to £17m. Turnover is running at about £20m per year and the group is making very small pre-interest profits.

It is difficult to understand how the directors and their financial bankers allowed the company to get into this stretched state. The machine tool business is notoriously cyclical and most producers are very wary about taking on excessive borrowings.

Despite its early success in the UK, the company recognised that it would have to develop export markets in order to generate sufficient volume to survive.

In 1981–82, Herbert made about 230 lathes. By contrast, the leading Japanese producers make about 3,000 units a year. Mr Lynch reckoned Herbert could compete with a volume of something over 400 a year. The depressed UK market was producing about 200 sales, and he decided the best chance of getting a big increase in volume in a hurry was to attack the U.S. market.

Unfortunately, Herbert entered the U.S. in late 1981, just before the market there collapsed. The company's original budget of 450 machine sales in 1982–83 had to be revised last summer to an unchanged 230, and it now seems unlikely that even that figure will be reached.

Herbert has been caught with large quantities of unsold machines and work in progress. Since last summer, it has made redundancies and introduced short-time working to cut costs.

The group slipped back into a £1m loss last year, of which £700,000 was for redundancy costs. But, knowing that the recession had already lasted for more than two years, the directors probably hoped for an early recovery and did not cut as quickly or as deeply as they should have.

Atlantic fares war signalled

By Michael Donne, Aerospace Correspondent

A NEW transatlantic air fares war is likely this summer. Trans World Airlines, the U.S. airline which claims to be the biggest operator on the route with about 1m passengers a year between the U.S. and Western Europe, is to offer a new, first-ever day return fare between London Heathrow) and New York from June 1 of £499in Ambassador (business) class).

This compares with the normal Ambassador class period return of £876, and the peak summer economy class period return of £436.

The airline is also expected to announce shortly a new cheap fare between London (Gatwick) and New York of about £270 return, to compete with both charter operations from Gatwick, and the expected start of scheduled operations by a new U.S. airline, People Express Airlines.

This airline has just been given approval by the U.S. Civil Aeronautics Board for non-stop flights betwen Newark (New Jersey) and Gatwick, at a single fare of $149 economy (coach) class and $439 (premium) class. Approval for this service is still awaited from the UK Civil Aviation Authority.

Pressure for public sector strike curbs

BY JOHN LLOYD, LABOUR EDITOR

EMPLOYERS' organisations have reached a broad consensus on their proposals for industrial relations legislation – an agreement which seems likely to push the Government towards early action on strikes in essential services and on reform of union democracy.

In their response to the Government's discussion paper on trade union reform submitted this week, both the Confederation of British Industry (CBI) and the smaller Institute of Directors argue for a curb – though not a ban – on strikes in the essential services. Both call for an end to union immunities from legal action where the union does not exhaust agreed disputes procedure.

The CBI is also likely to adopt a proposal, long advocated by the Engineering Employers Federation, for allowing employers to lay off workers without pay when it is no longer possible to provide work for them because of a dispute in an essential service, or in the business concerned.

This proposal has been approved by the CBI's employment policy committee, and is now out for consultation among the membership before coming before the CBI council in May or June.

A weapon against strikes in essential services advocated by the CBI is a ballot on strike aciton before it takes place, triggered by a minority of the workforce. Such a mechanism would be confined to those strikes which were considered "serious enough to endanger the public interest."

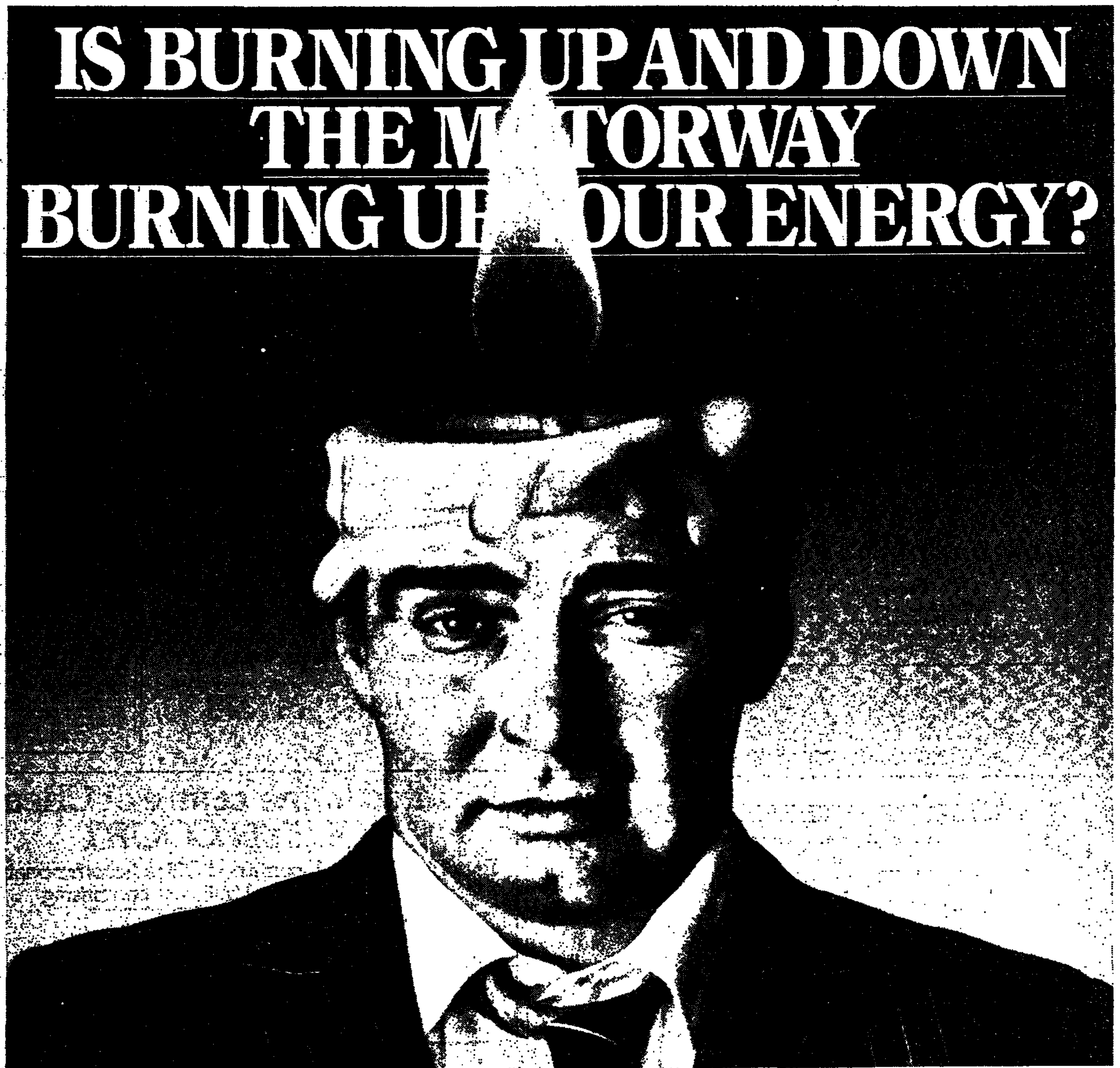
The CBI document acknowledges that "there are many practical problems to overcome." These include defining the seriousness of a dispute before it has begun, the size of the minority which triggers the ballot, and the conduct of the ballot. However, the CBI says that "the Government should seriously consider this proposal."

The Institute of Directors, traditionally more hawkish than the CBI, has recommended a more radical approach. Both the CBI and the institute make trade union immunities conditional on the observance of agreed procedures. But the institute goes further, calling for de-centralisation of bargaining structures in essential services, inclusion of arbitration in the final stage of procedure agreements and bringing back the limited protection against strikes in some utilities which existed before the 1971 Industrial Relations Act.

Trust to be investigated

THE DEPARTMENT of Trade, the ultimate regulatory authority of the UK business community, yesterday appointed inspectors to investigate and report on the affairs of Greenbank Trust, the investment trust.

The investigation is being made under a section of the 1948 Companies Act that allows the Department to inquire into any circumstances which suggest that there might have been irregularities in a company, or a lack of disclosure of information.



THE PROPERTY MARKET BY MICHAEL CASSELL

Continuing saga of South Bank blight

IPC MAGAZINES has failed in its bid to find a tenant for its London headquarters on the south bank of the Thames at King's Reach and will not be moving back across the river.

The failure to locate any takers for the 248,000 sq ft building, together with one or two other events revealed this week, starkly underlines the plight of the south bank property market which currently radiates all the charisma (and none of the cash) of a funeral parlour on a turnover rent.

Its future always seemingly the subject of incessant, infuriating and inconclusive debate, the present weakness of London property markets has served only to create new confusions and uncertainties over prospects for the waterside wedge of land which weaves its way west from Pickle Herring Street past Lambeth Palace.

At a Press conference called this week to announce the GLC's acquisition of the Courage bottling plant site close to Southwark Bridge, George Nicholson, vice-chairman of the council's planning committee, laid the blame for the south bank fiasco firmly at the feet of private enterprise.

Mr Nicholson, who loves estate agents and developers as much as they love him, said the private sector was responsible for the blight which had infected the Thames' south bank. They had, he charged, pursued endless and unwanted office schemes at the expense of the local community and winning permission for projects which they could no longer finance.

Scant mention was made of planning regimes which sometimes appear to have changed direction more often than the *Thames' tide itself* or of a determination to insist on schemes whose undoubted social benefits are invariably equalled by their financial naivety.

There is also the little question of rates and in this respect Southwark has no challengers. Figures released by agents Don and Wright show that Southwark office rates now *stand at* £16.25 a sq ft, the highest of any inner London borough. When combined with average rents of £11 a sq ft, Southwark office overheads rank third behind the City and Westminster and in the last year alone have risen by nearly 18 per cent.

Victim

But whoever wins the propaganda war, both sides should at least admit that the ultimate victim is the south bank itself. The string of empty sites and derelict buildings form a suitable backdrop to what has become an unpleasant political battleground.

Mr Nicholson is certainly correct in suggesting that there is now a substantial oversupply of office space in London (the debate on the true extent of that surplus could fill this column until the day Coin Street is topped out) and however the south bank shapes up in the longer-term, tenants for the space which already exists certainly seem to be a rare commodity.

For over a year, IPC has been attempting to recruit someone to take over its 95-year lease, on which the initial, *concessionary rent of £6 a sq ft is now* the subject of a disputed rent review. With the help of Debenham Tewson and Chinnocks, three or four serious candidates came forward but all backed off.

IPC has decided there is no point in going on but says it might now try to find tenants for some of the surplus, individual floors, each offering up to 8,000 sq ft of office accommodation.

Just across the road from IPC stands Dorset House, purchased and refurbished by Canadian *Dutch Properties*, the Wereldhave-Camp International joint venture. The 89,000 sq ft building, previously home for part of the IPC empire and owned by MEPC, has been waiting for an occupier since last summer.

The building has been modernised well but although a deal at about £12.50 a sq ft was recently very close to signing, it is now available again. A new letting campaign by Debenham Tewson and Jones Lang Wootton is about to get underway and the asking rent will be £990,000, about £11 a sq ft.

The result of the Courage bottling plant sale is itself indicative of the south bank's problems. The brewing group, together with Savills, set out with their sights set on raising over £6m for the 7½ acre chunk of land close to Southwark Bridge.

The land came with planning permission for 106,000 sq ft of offices, though that expires in August. In the event, several "interested parties" came forward but most were only prepared to buy with planning consents for their particular proposals.

Consents

In this part of the world, such consents do not come easily, so how appropriate that the two relevant planning authorities — Southwark is to *help* the GLC in developing housing and industrial premises on the site—should turn out to be involved in the purchase. At a sale price of £2½m, the GLC is well pleased and can *ponder over how effective* its development policy was in frightening off competition from other potential purchasers.

At least one major office scheme has finally won through, however, and the building concerned already exists. It is the Sea Containers complex on the southern end of Blackfriars Bridge, originally built as a hotel but left in the wake of its developers' demise as a largely empty shell until Mr Heseltine last year gave the go-ahead for conversion to offices.

Project managers APC International have just held a design competition to find the best answer to the huge conversion project and contractors will be appointed in the summer. The £20m scheme should be complete by the autumn of 1985 and—apart from the back block already largely occupied by Sea Containers — will provide around 300,000 sq ft of new office space.

Success in finding tenants for a building with an unbeatable outlook but a dodgy address could work wonders for the local market and have a direct bearing on the success of the string of other major schemes following in the pipeline. Failure could leave Mr Nicholson's public sector solution (given the money) the only feasible alternative.

HILLIER PARKER signals the "end of an era" in a review of shopping developments, noting that while 23 comprehensive schemes of 150,000 sq ft gross and over opened last year, total floorspace of 2.875m sq ft was the lowest for any year since 1968.

The average size of scheme, 123,000 *sq ft last year*, has now fallen each year since 1977. There are now 15 comprehensive schemes of over 500,000 sq ft in Britain but none of this size currently *under construction* or with planning consent.

● Phoenix Properties and Finance has completed the sale of the first *half* of its Swindon development to the Prudential Assurance Co. for £1.6m. The site, which is in the centre of the town, has permission for a total of 108,000 sq ft of office accommodation. It is Phoenix's intention to develop the remaining 54,000 sq ft in due course.

Hong Kong OK for KFR

THERE IS life after Margaret Thatcher, says F. Y. Kan, in London on a visit from a beleaguered Hong Kong property market. Mr Kan got together with Knight Frank Rutley to form Knight Frank Kan & Baillieu at the beginning of this year and both sides insist that they got in at the right time.

Kan points out that a bad market went even worse after Mrs Thatcher's visit and the introduction of political uncertainty last September, but says that this year there has been some revival, particularly at the lower end of the residential market.

Meanwhile, KFKB claims to have improved both the volume and market share of its business in the past three months, compared to the average level his own firm was able to achieve last year.

Business volume, he reckons, is 40 per cent up over the 1982 average. On market forces alone he thinks he would have done 10 to 15 per cent better, the balance, implicitly, being market share improvement.

"Investment in a big way is still being withheld," he says, but he sees no flight of real estate money from Hong Kong. "It is hard to get money out of properties owned in Hong Kong," he notes wryly. "People aren't liquid."

Mr. Alfred's broom keeps on sweeping

LONDON headquarters office disposals by the Property Services Agency, the much-maligned government estate management arm, are proceeding apace—and relatively unaffected by the oversupply in central London property markets, according to PSA chief executive Montague Alfred.

Quite painlessly, from its own point of view, the PSA has made a hefty contribution to central London supply over the past three years. From April 1979 until the end of last year it had managed a reduction in its London HQ space from 22m sq ft to 19.6m sq ft, leaving a further decrease to 18m sq ft to be achieved in the three years to December 1985.

However, it did not have to take much notice of market forces. Alfred explained yesterday that 60 per cent of the estate is leasehold so the Government, through the PSA, was shedding space as those leases ran out—"not so much in actual sales or lease disposals."

The next target is the office market outside London where Alfred has a programme of "Town Reviews" in progress; six reviews were completed in 1981-82 which identified potential savings of over 300,000 sq ft of office space, or about £1m a year.

Alfred says that 115 more Town Reviews are planned for the next three or four years and yesterday he confirmed crude arithmetic which suggested that eventually over 6m sq ft—or 1½ times the London total—could come back on to the market from this source, although he did add the rider that "vestigial" decentralisation of government offices is still going on.

The latest information emerged on the publication of a belated — and, until now, occasional—PSA annual report for 1981-82. The last one was for 1979-80. The report, glossy, well-organised and almost corporate in its structure, may be seen as a foretaste of things to come.

Alfred is still keen on hiving off part of the PSA's work—estimated at between 25 and 30 per cent last August—into a commercial property division, emphasising again that the scale of the project would be enormous.

He said that in 1982-83 the PSA completed 92 projects in excess of £1m each; that it was responsible for the maintenance of 130m sq ft of civil property, of which 80m sq ft was offices and within that 28 to 29m sq ft was in London.

He is clearly dubious, however, about economies of scale, observing that people tend to ignore the diseconomies when they do the initial sums. "In the 1950s and 60s," he remarked, "it was fashionable to add two and two and get five; since the 1970s there has been the suspicion that 2 plus 2 might equal 3½."

WILLIAM COCHRANE

TECHNOLOGY

EDITED BY ALAN CANE

HIGH-PERFORMANCE ADHESIVES IN MANUFACTURING

'Superglues' will transform manufacturing methods

BY JOHN KERR

THE industrial robot has rapidly glamorised the hitherto humdrum world of production engineering. But high-performance toughened adhesives hold as much promise for transforming the fundamental manufacturing methods on everything from kitchen sinks through machine tools to aircraft. "We are literally on the brink of a whole new way of doing things," says Dr Bill Lees, technical director of Permabond Adhesives.

Spearheaded by Eastleigh-based Permabond, Britain has built up a substantial lead in high-performance superglues—particularly for structurally loaded work. Just before Christmas BL demonstrated the state of the art (though without giving too much away) in its remarkable ECV-3—Energy Conservation Vehicle—experimental car.

The ECV-3, BL's energy conservation vehicle, uses bonding as the main method of joining parts

Lighter than a Metro yet faster, roomier and more economical than a Ford Sierra, the ECV-3 features a revolutionary aluminium frame which employs bonding as the dominant method of joining.

At Harwell, a special working party is exploring new jointing designs and bonding methods on plastic composites and metals for cars and several other manufactured products.

Dr Lees is quick to stress that the new adhesives are as different from conventional types as Concorde is from a Spitfire. Or more analogous perhaps—as much of a step forward as welding was from riveting.

The *toughened adhesives* are not to be confused with household superglues, nor with the traditional film-type aircraft epoxy glues which they outperform. They frequently create bonds stronger than the substrates which they join and, significantly, can now bond through grease and dirt on most materials. This is a striking advantage, for it neatly circumvents costly mechanical or chemical cleaning preparations on the production lines.

The toughened adhesives are based on acrylic and epoxy chemistry. Acrylic adhesives were developed in the 1920s. Epoxies arrived in the 1940s, swiftly gaining a reputation for high-strength bonds on metals, ceramics and certain plastics. Around 1950 came the anaerobics — fast-acting glues performing splendidly on gaskets and on coaxial assemblies such as nuts on bolts, bearings and bushes.

But most of these were brittle and susceptible to less-than-pristine environments. In the late '60s, research began on structural adhesives that would: (a) bond to a variety of surfaces; (b) be durable under a wide range of climatic conditions; and (c) give high strength in shear, peel, impact, compression and torsion. *Permabond* was *first on* the scene with commercially available toughened adhesives in the mid '70s—first, a two-part cold-set epoxy, then toughened acrylics and single-part heat-cured epoxides.

The toughening halts crack propagation by dispersing a "rubber" phase throughout the harder load-bearing portion of the polymer matrix. When the joint is overloaded, the crack-run mechanism that would normally lead to catastrophic failure does not operate because the destructive energy of the developing fracture is dissipated in the rubber phase —just as a crack in a sheet of metal can be stopped by drilling out its tip.

Independent tests show that a toughened acrylic can give more than four times the shear strength of a conventional epoxy now widely used in the aerospace industry. And with a single-part toughened epoxide on thin sheet metal the strength of the joint is limited by the *steel, not the adhesive. Load at* yield for a 12.5 mm lap joint is higher than that required to take 1.6 mm steel—the 16swg common in automotive use — beyond its elastic limit.

In impact tests, steel blocks bonded together with a toughened acrylic have stopped the pendulum of a 250 kgf-cm Izod tester not just once, but several times.

Performance on as-received steel and aluminium sheet is also impressive. Sound, durable joints have been produced on the corrosion-resistant Zintec steel — a product notoriously problematic to bond effectively.

Studies by Oxford Polytechnic have came up with data that bodes well for the crash resistance of adhesive bonds — of vital importance to the motor industry. It has been shown that as the strain rate increases, the energy required to break the joint rises. Had it been the other way round, even a small knock might make an entire structure disintegrate; instead, it becomes stronger.

The toughened adhesives have already won Ministry of Defence approval and are employed in construction of warships and tanks. They are sticking together inner and outer door panels on ERF trucks and are just about to go into a new design of supermarket shelving that is 75 per cent stronger than that traditionally made by welding.

The low profile and limited acceptance of toughened adhesives is due in part to the unfamiliarity of engineers with anything less predictable than conventional fastenings like bolts and welds. But with the wealth of performance data that has built up in the past five years and its incorporation into Permabond's unique CAAS software program — Computer Aided Adhesive Selection—Dr Lees feels that ignorance is no longer an excuse for spurning this valuable tool

SCOTTISH RADIO SIGNAL DEVELOPMENT

Remote control of overhead travelling cranes

BY MAX COMMANDER

A SYSTEM for the remote control by low frequency radio signals of infinitely variable speeds of electric overhead travelling cranes (EOT) has been perfected by Scottish engineers, J. H. Carruthers of Glasgow. It is believed to be the first and only system in which radio control is successfully allied with infinitely variable speeds on all crane motions—long travel, traverse and hoist.

The Telemotive system is available as original equipment on Carruthers cranes or as a retrofit package to replace mechanical dual speed controls on existing cranes. The cost is said to be comparable with the cost of conventional dual speed systems.

Unintentional

There is an in-safety system whereby the joystick on the control unit must pass through "slow" and "hold speeds" so that unintentional sudden increases in speed can be avoided. Acceleration and deceleration are related to the movement of the joystick with dynamic braking as a feature to reduce maintenance by eliminating wear on the mechanical braking components.

To ensure that the selected speed always relates to the same position of the joystick, irrespective of crane loading, a closed loop of electronic signals is employed. Motion is monitored by a tachogenerator.

More from Carruthers, Peel Park Place, College Milton, East Kilbride, Glasgow.

Tooling

Coating improves yield

A COATING process that increases the yields of high speed and tool steels has been announced by Braeburn Alloy Steel of Concord, New Hampshire after a six year pilot plant development.

The company believes it is "one of the most significant technical innovations in the tool steel industry in 30 years."

Basically, it overcomes a problem that has plagued producers since the inception of steelmaking: the surface degradation and related material losses which take place during the high temperature rolling and forming of the product from billets.

In the new process, the billets are protected by an automated airspray production line which handles, cleans and coats the steel with a thin (0.007 in) tightly bonded film of pure aluminium.

Using spray equipment from TAFA, thermal spray specialist, the system lays down a very dense and tenacious aluminium coating which protects the billets from oxidation and decarbonisation up to 1204 deg C.

Although these temperatures exceed that of the melting point of aluminium, intermetallic compounds are formed to provide the protection.

Use of the process does not require any technique changes in the conventional tool steel making process. More from TAFA on (603) 224 9585.

Circuits

New materials

THREE NEW kinds of printed circuit board materials based on paper, composite and glass materials have been introduced by AEG-Telefunken.

The Geax family for example, using phenol and epoxy impregnated paper, is designed to be minimally affected by humidity and offer high dimensional stability. The material can be punched at room temperature to within 2.5mm grid with no clogging of holes down to 0.8mm diameter.

The Glasotext family uses epoxy glass laminates to give very high quality, excellent workability and good electrical/mechanical characteristics while the CEM-1 range combines low cost with good electrical characteristics and ease of punching. More on Slough 872101.

Probes

Mettler phototrodes

PHOTOMETRIC titration is facilitated by two new photoelectric probes developed by the Swiss manufacturer, Mettler Instrumente of CH-8606 Greifensee. The so-called "phototrodes," types DP550 and DP660, incorporate miniaturised light source and signal processing. This obviates the need for corresponding external devices, thus making the probes easier to use, more reliable and cheaper.

Sunlight and artificial light have no effect on the reading, since disturbances from outside light sources are virtually eradicated by the high-frequency light modulation. Only slightly dearer than conventional electrodes, the new phototrodes can be used for analytical purposes in a wide range of applications.

Cameras

Readable codes

ELECTRONICALLY readable codes will soon appear on Kodak 35mm films which could pave the way for more sophisticated but simple to use cameras, says Kodak.

For example, it will be possible to develop a 35mm camera that sets its own film speed, counts down exposures electronically and even rewinds the film because it can read the code imprinted on the film during manufacture.

Though no such cameras are available on the market for 35mm amateur photography it is likely that new products will not be long in coming.

The first film which will bear the code is the Kodacolor VR1000 film though other speeds will be launched in the autumn.

Memory

Sony advance

SONY says that its research centre has developed a new magnetic recording method that provides a recording density 31 times that normally obtained on a 5¼ inch floppy disc or eight times that of the high density 3½ inch microfloppy disc.

The increase in storage capacity has been achieved through the use of perpendicular recording. In conventional magnetic recording on tapes and floppy discs, the material is magnetised in a linear direction of travel as the tape or disc moved under the recording head.

In perpendicular recording the medium is magnetised vertically, though the thickness of the layer. More information on the Sony development is available from Sony at 7-35 Kitashinagawa 6-Chome, Shinagawa-Ku, Tokyo, Japan.

Packaging

Label printer

A LABEL printing machine has been launched by Cooper Precision Engineering, Walsall, West Midlands. It is designed for flexographic printing of two to four colours and is aimed at the printing and packaging industry.

The Viscount uses a web width of 190 mm or 266 mm at speeds from nine metres to 150 metres per minute, with drying by hot air impinging on the web. More information on the label printer is available on Walsall 33516.

Electronics

High power transistors

A RANGE of high current, fast switching, intermediate voltage power transistors, the WTS700, series is now available from Westcode Semiconductors, Chippenham, Wilts.

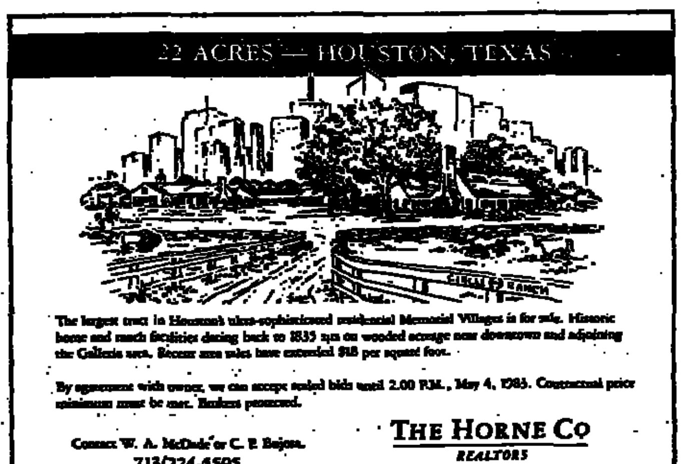
The transistors are designed specifically for application in chopper and inverter circuits. They are rated at 300A continuous collector current and up to 500V sustaining. More details on the range are available on 0249 654141.

Computing

Vision analysis

A VISION analysis system, which can be run on the Model B BBC microcomputer has been designed by Digithurst, Royston, Herts. It enables the microcomputer to be linked to a standard home video recorder and prerecorded images to be transferred into the computers.

The interface digitises pictures, allows analysis and subsequent storage of the information. The device will also work with a range of other computers including Apple, Research Machines 380Z, Commodore, and Sirius. It is available at a total price of £295 plus VAT. More details on 0223 208926.



1st MAY 1983 REDEMPTION

RIO TINTO-ZINC FINANCE N.V.

U.S.$45,000,000 6¾% Loan 1984

REDEMPTION OF BONDS

Rio Tinto-Zinc Finance N.V. announces that for the redemption period ending on 1st May 1983 it has purchased and cancelled bonds of the above Loan for U.S.$2,273,000 nominal capital and tendered them to the Trustee.

The nominal amount of bonds to be drawn for redemption at par on 1st May 1983 to satisfy the Company's current redemption obligation is accordingly U.S.$3,727,000 and the nominal amount of this Loan remaining outstanding after 1st May 1983 will be U.S.$6,000,000.

DRAWING OF BONDS

Notice is accordingly hereby given that a drawing of bonds of the above Loan took place on 22nd March 1983 attended by Bridget Mary Ellison of the firm of John Venn & Sons, Notary Public, when 3,727 bonds for a total of U.S.$3,727,000 nominal capital were drawn for redemption at par on 1st May 1983, from which date all interest thereon will cease.

The following are the numbers of the bonds drawn:

26	33	34	54	55	60	322	324	330	331	339	342	344	346	347	348	349	351	355	356
388	389	395	396	404	444	451	452	510	519	520	546	554	577	579	589	591	595	596	621
622	625	654	663	674	781	809	819	820	821	822	962	963	965	966	972	973	976	980	982
983	1069	1072	1074	1088	1089	1101	1102	1117	1119	1120	1186	1187	1188	1208	1281	1282	1285	1288	1289
1291	1292	1294	1295	1296	1301	1334	1336	1340	1342	1344	1345	1349	1379	1383	1406	1437	1440	1478	1486
1527	1530	1558	1994	2083	2147	2148	2149	2156	2185	2302	2306	2399	2420	2440	2441	2442	2443	2444	2445
2504	2507	2511	2515	2557	2562	2564	2568	2570	2598	2599	2601	2602	2603	2605	2751	2764	2765	2766	2770
2774	2775	2788	2788	2790	2794	2795	2823	2862	3118	3121	3124	3126	3130	3131	3132	3134	3136	3137	3146
3155	3156	3157	3158	3159	3161	3166	3168	3171	3188	3190	3206	3207	3209	3210	3211	3213	3216	3219	3220
3224	3225	3226	3229	3232	3236	3237	3245	3246	3249	3250	3257	3261	3262	3263	3278	3279	3314	3344	3351
3352	3361	3362	3365	3384	3424	3425	3426	3434	3435	3436	3437	3438	3440	3441	3444	3446	3447	3448	3506
3511	3544	3545	3577	3591	3593	3598	3599	3610	3620	3623	3625	3626	3627	3628	3633	3634	3635	3704	3713
3715	3722	3738	3740	3743	3745	3746	3747	3767	3769	3771	3776	3792	3794	3797	3798	3799	3801	3802	3830
3843	3844	3882	3918	3919	3925	3935	3937	3939	3944	3945	3980	4039	4081	4096	4135	4138	4140	4150	4151
4162	4197	4220	4221	4226	4229	4256	4278	4280	4281	4295	4297	4326	4328	4346	4347	4366	4381	4382	4383
4384	4392	4393	4394	4395	4396	4424	4448	4452	4476	4480	4484	4485	4491	4496	4497	4505	4506	4507	4510
4511	4613	4614	4515	4516	4520	4523	4524	4540	4554	4557	4572	4589	4590	4611	4613	4617	4618	4621	4622
4626	4627	4633	4637	4640	4646	4658	4659	4675	4682	4683	4686	4688	4703	4704	4711	4712	4713	4720	4729
4733	4735	4736	4750	4755	4758	4761	4766	4769	4771	4772	4773	4774	4776	4792	4793	4802	4900	4901	4902
4906	4907	4908	4909	4918	4922	4923	4930	4957	4973	4988	4990	4992	4996	4997	4998	5016	5017	5030	5035
5037	5039	5064	5065	5077	5078	5080	5085	5086	5132	5136	5137	5138	5141	5143	5150	5155	5156	5161	5164
5165	5167	5169	5174	5175	5176	5179	5205	5207	5260	5276	5279	5282	5301	5307	5329	5330	5331	5336	5343
5345	5351	5356	5357	5359	5361	5366	5369	5379	5382	5385	5386	5387	5388	5389	5390	5405	5412	5416	5418
5432	5433	5442	5445	5449	5452	5457	5460	5461	5464	5465	5468	5469	5470	5472	5477	5480	5485	5488	5490
5492	5493	5499	5502	5504	5505	5530	5533	5534	5538	5541	5544	5545	5568	5581	5582	5585	5589	5590	5592
5610	5611	5625	5626	5633	5637	5640	5641	5674	5689	5690	5698	5699	5702	5705	5783	5792	5794	5798	5799
5809	5815	5819	5829	5830	5832	5833	5834	5842	5843	5846	5850	5859	5863	6001	6016	6018	6020	6021	6022
6030	6040	6042	6150	6236	6238	6239	6243	6244	6250	6307	6382	6437	6523	6567	6568	6569	6574	6575	6576
6577	6579	6580	6582	6583	6585	6586	6588	6590	6658	6666	6772	6779	6780	6781	6784	6817	6885	6901	6914
6915	6917	6918	6919	6920	6921	6927	6928	6929	6933	6935	6956	6980	6987	6999	7000	7002	7003	7005	7009
7011	7017	7023	7026	7027	7028	7032	7034	7035	7040	7042	7044	7047	7049	7054	7058	7060	7061	7062	7071
7072	7076	7077	7081	7089	7090	7113	7114	7120	7121	7122	7126	7127	7132	7135	7137	7138	7141	7143	7148
7149	7166	7170	7174	7177	7183	7195	7202	7203	7207	7211	7212	7218	7219	7223	7226	7238	7243	7269	7275
7293	7298	7299	7300	7328	7348	7351	7352	7439	7500	7504	7505	7507	7508	7509	7510	7525	7528	7530	7709
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8101	8103	8107	8352	8390	8391	8392	8401	8404	8405	8522	8531	8533	8585	8587	8617	8721	8724	8799	8800
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18221	18238	18240	18244	18308	18309	18310	18336	18337	18338	18339	18525	18555	18556	18589	18590	18618	18626	18627	18630
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18778	18790	18792	18795	18800	18802	18803	18804	18805	18811	18813	18815	18816	18817	18821	18822	18823	18828	18831	18832
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19914	19917	19918	19925	19927	19937	19938	19939	19940	19942	20057	20058	20059	20060	20061	20062	20063	20064	20066	20067
20068	20077	20098	20160	20161	20162	20164	20169	20175	20179	20180	20183	20187	20188	20189	20190	20193	20194	20197	20198
20199	20203	20234	20235	20237	20240	20241	20242	20248	20275	20282	20283	20284	20289	20291	20294	20299	20308	20310	20311
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20434	20453	20456	20459	20460	20461	20462	20468	20471	20472	20480	20487	20488	20491	20527	20576	20579	20582	20583	20600
20610	20662	20663	20913	20914	20918	20923	20924	20928	20929	20930	20933	20936	20941	20943	20944	20962	20963	20965	20969
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21780	21781	21787	21792	21794	21805	21903	21957	21958	21970	21971	21973	21977	21980	21991	21996	22022	22152	22154	22242
22253	22297	22298	22314	22317	22323	22340	22345	22356	22379	22380	22392	22393	22396	22400	22519	22594	22598	22680	22691
22695	22700	22701	22704	22705	22707	22710	22770	22784	22926	22929	22930	22953	22955	22968	23012	23050	23064	23065	23067
23068	23069	23071	23072	23090	23096	23098	23118	23132	23137	23138	23139	23143	23144	23149	23151	23154	23345	23351	23352
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23659	23661	23662	23666	23667	23668	23676	23680	23681	23683	23685	23686	23687	23692	23697	23698	23700	23725	23986	23987
24078	24085	24088	24113	24114	24198	24202	24339	24441	24484	24495	24540	24604	24608	24614	24617	24793	24824	24866	24868
24870	24989	24994	25246	25249	25250	25310	25313	25810	25813	25817	25821	25823	25824	25826	25827	25836	25837	25838	25840
25842	25843	25844	25845	25923	25924	25927	25930	26073	26105	26166	26167	26352	26353	26627	26631	26633	26641	26716	26717
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30458	30477	30478	30480	30484	30521	30522	30721	30722	30724	30725	30727	30738	30862	30863	30864	30866	30868	30907	31113
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32219	32226	32229	32230	32232	32245	32247	32257	32493	32603	32604	32606	32607	32618	32620	32622	32665	32844	32881	32885
32886	32889	32893	32894	32897	32959	32962	32964	32965	32967	33010	33015	33018	33019	33026	33027	33028	33088	33089	33090
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33450	33454	33463	33466	33482	33707	33711	33733	33736	33751	34027	34028	34036	34041	34054	34056	34165	34167	34168	34373
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35953	35955	36255	36263	36264	36265	36267	36525	36556	36563	36571	36635	36647	36652	36654	36655	36699	36702	36740	36746
37033	37137	37140	37179	37181	37182	37184	37186	37193	37194	37196	37200	37206	37210	37212	37223	37224	37226	37258	37259
37260	37261	37268	37271	37278	37299	37369	37390	37391	37392	37397	37401	37435	37437	37439	37572	37575	37585	37586	37589
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39574	39575	39576	39577	39581	39586	39593	39596	39598	39625	39626	39631	39633	39635	39637	39638	39644	39645	39651	39652
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39787	39788	39789	39793	39796	39797	39803	39809	39810	39816	39817	39818	39819	39822	39829	39836	39837	39838	39839	39843
39847	39849	39850	39851	39854	39859	39860	39870	39873	39876	39877	39880	39886	39893	39894	39896	39898	39899	39902	39903
39911	39913	39914	39917	39923	39925	39929	39934	39935	39936	39962	39963	39964	39965	39967	39968	39973	39975	39977	39981
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Witness: B. M. Ellison, Notary Public.

The above bonds may be presented for payment of the proceeds of redemption at par on or after 1st May 1983 at the offices of the paying agents named on the coupons in the manner specified in Condition 6 of the Terms and Conditions of the Loan printed on the bonds. Each of these bonds when presented for redemption must bear the coupon dated 1st May 1984 otherwise the amount of the missing coupon will be deducted from the principal to be repaid.

8th April 1983

Principal Paying Agent: N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.

Hill Samuel: the revival of a merchant bank

Alan Friedman analyses the wide-ranging shake-up which has given fresh impetus to the financial services group

HILL SAMUEL could well prove to be one of the better textbooks examples of the power of positive management. The last time this merchant bank was written about on these pages (in 1979) the reader would have had little trouble in picking out phrases such as "unhappy ship," "chequered history" and "dismal profit record."

Yet, today, Hill Samuel is seen by many as one of the great "turnround" stories of the City. Not only did the group get off its profits plateau in the year which ended in March 1981, but it managed to double its disclosed after-tax profits in two years, from £7.7m in 1979-80 to £15.99m in 1981-82.

Much of the credit for Hill Samuel's revival goes to the group's youthful chief executive, Christopher Castleman. At the age of 39, he took over management of the group in 1980, having spent several years successfully turning round the Australian and South African businesses.

He faced a formidable challenge, not least because the Hill Samuel group is unlike most other merchant banks. It is not merely a bank, but also an insurance broker, a shipping services company, an employee benefits business and a life insurance and investment management company. Each division has had its problems, some of them quite severe.

In 1980 Hill Samuel was emerging from a disastrous decade. It started in 1970 when institutional investors blocked a planned merger with Metropolitan Estate and Property Corporation, a scheme recommended by the board under the then-chairman Sir Kenneth Keith.

In 1973 the institutions baulked again and succeeded in calling off at the last minute a planned merger with Slater Walker Securities, just before it fell victim to the secondary banking crisis. In 1974 Hill Samuel lost £31m as a result of an abortive spot foreign exchange deal with the collapsed Frankfurt bank—I.D. Herstatt. In the end the net write-off was £1m.

The late 1970s saw a variety of management upheavals including the resignation in 1978 of John Elton, the chief executive of the merchant bank, the departure of Lord Keith in 1980, as well as several insurance broking executives and finally the elevation of Castleman to replace Sir Robert Clark as group chief executive.

Sir Robert Clark: refers to the group's problems as "puddles into which we trod in the late 1970s"

Sir Robert refers to the group's problems as "puddles into which we trod in the late 1970s." Of Herstatt he remarks that "it was not a great deal of money, but it was a great bang to our confidence."

The second "puddle" Sir Robert catalogues was what he terms "a straight management deficiency in insurance broking." According to Sir Robert, who steps down next year as chairman, the broking overheads "grew like topsy and revenue didn't keep up." He says the group had reinsurance problems, a lot of business being done with "less than satisfactory reinsurers." For two years running (1980 and 1981) the broking side lost £3m in each year on a pre-tax basis.

The third great "puddle," says Sir Robert, was Hill Samuel Life, which required capital injections and had "some rather unattractive property on the Continent."

As if these problems were not enough, the merchant bank was not doing very well. For years it stayed out of medium-term lending, a policy which Sir Robert now describes as "an error."

Hill Samuel's future was further clouded in 1980 when the group appeared to be on the verge of being taken over by Merrill Lynch, the U.S. securities house. This deal, like the aborted Slater Walker and MEPC plans of the 1970s, was also called off amid the glare of embarrassing publicity.

Enter Christopher Castleman. In his usual self-effacing way he now says that on arriving he found "a group which was poised for recovery, but without what I would describe as confidence."

Outside observers go further. One analyst puts it this way: "Castleman came in and rolled up his sleeves. He got into the engine rooms of banking, shipping, broking, employee benefits and he preached the gospel of cost control and profitability."

It would be misleading to suggest that Castleman single-handedly breathed life into the ill-fated Hill Samuel of the 1970s. Sir Robert, as chief executive until 1980, set many of the corrective measures in motion so that when he arrived, Castleman did not need to do everything.

It was Sir Robert, after all, who hired Richard Lloyd, the Williams and Glyn's executive who joined Hill Samuel in 1978 and took over as chief executive of the bank in 1980. Sir Robert also brought in Richard Shaw, the chief executive of insurance broking, who arrived in 1980.

Insiders and outsiders alike often refer to the new incentives Castleman introduced in order to boost morale and motivate executives.

Incentives

The top 25 executives have a profit-sharing scheme which is based on the cumulative increase over inflation of group earnings for the 1982-86 period. They have options to take 20 per cent of their incentive money in 1984, 20 per cent again in 1985 and 60 per cent in 1986—or they may wait until 1986. Excluding these incentives, Castleman reckons the top 25 executives cost the group £1.5m a year.

Divisional autonomy is another key policy at Castleman's Hill Samuel. There is a 12-member executive committee, which includes the heads of the various divisions, the chief executive and finance director. But Castleman makes very clear that he expects initiatives to come from divisions. He sees himself as a catalyst rather than a headmaster.

WHERE THE PROFIT COMES FROM

DISCLOSED PROFIT AFTER TAX	1983*	1982 £000	1981 £000	1980 £000	1979 £000	1978 £000
		Year ending March 31				
Merchant banking	£14m*	12,501	10,996	6,874	5,065	4,303
Life and investment management	n/a	2,831	1,563	1,548	1,442	1,284
Employee benefit service	n/a	2,068	1,128	1,549	1,396	820
Insurance broking	600	(628)	(1,401)	(1,551)	(1)	1,063
Shipping services	£1.5m-£2m	2,491	974	583	485	338
Underwriting agencies	n/a	369	247	259	325	204
Central costs including interest	n/a	(3,641)	(2,106)	(1,557)	(983)	(1,160)
	£18-£19m*	15,991	11,293	7,608	7,729	6,852

* Estimates.

Just the same, he continues to emphasise cost control and profitability: "We are now achieving reasonable profits in some areas, but there is no way I would take the view that the maximum profit potential is being extracted from the group."

When it comes to overheads, he is unafraid of detail: "When I first came here I wondered why we needed three telephonists when two could handle the switchboards."

One of Castleman's initial tasks was to take a look at the undercapitalised Hill Samuel Life business. In 1977, before his arrival as chief executive, the bank had injected £4m into the life company through an internal property transaction. Last May the life company realised a further £8m by selling its 47 per cent stake in The English Assurance Company to General Accident. This stake had been transferred in 1981 from Noble Lowndes, the group's employee benefits division, to HS Life.

Castleman looked at the problem-ridden shipping business and decided that "management changes were deemed to be in order." First he "cut back bloody hard" and then he organised the 1982 £12.4m acquisition of the 75 per cent of Wallem and Co, the Hong Kong shipping management concern, not already owned by Hill Samuel.

Wallem's shipping services business is somewhat countercyclical to the depressed shipping market and it will therefore be making a useful contribution for the year just ended. It will constitute the bulk of the likely £1.5m to £2m of after-tax profits, still down on £2.5m in 1981-82.

In broking, the 1,300 staff level of 1979 has been brought down to 800 and this division is likely to contribute an after-tax profit of £600,000, against a 1981-82 loss of £628,000.

Hill Samuel is meanwhile making a £4.6m acquisition of the Bristol-based Hill House personal insurance broker, which has 30 branches in Britain. Castleman hopes to use the acquisition and its 150,000 clients, to develop "our widest *potential* contact with the buying public."

The merchant banking business, which includes Australia, South Africa, treasury functions, commercial banking, corporate finance and Eurobond activities, is likely to manage a £14m after-tax profit in the year just ended, up from £12.5m for 1981-82.

Provisions

Some 25 per cent of banking profits come from Australia and South Africa.

The bank is likely to make 1982 bad debt provisions of around £5m, which represents 0.3 per cent of its £1.5bn in outstanding loans. The bank is now moving into some new areas such as the marketing of its own electronic banking systems.

Castleman's strategy for the 1980s is to "do what we are doing better and more profitably." He envisages some acquisitions, but only in areas which are related to the group's present *activities.*

The 1982-83 results will be announced in two months and City estimates range between £18m and £19m (after-tax), against last year's £16m. Having doubled profits in the past few years it will be difficult to keep up the momentum. The idea is to extract more earnings from the present group, or as Castleman phrases it: "We need to keep these guys moving forward."

The man at the helm

Christopher Castleman (right) has many fans in the banking community. His followers are those stockbrokers and bankers who point to Hill Samuel's turnround over the past three years and credit the youthful Castleman.

At the age of 38, in 1980, he became the youngest chief executive of a major merchant bank. But his assiduous efforts to accentuate, in the words of one observer, "profits and profits and profits" is what has really won him favour both within and without Hill Samuel.

Castleman, an Old Harrovian, moved straight into the Hill Samuel group in 1963 *following his graduation from* Clare College, Cambridge, with a first in law. He joined the present group through M. Samuel & Co, which merged with Philip Hill Higginson, Erlangers Limited in 1965.

It was in the 1970s that Castleman established his reputation in Australia and South Africa. He was appointed general manager of Hill Samuel Australia in 1970 and was at the helm in Sydney during the Australian stock market's boom and crash.

One gushing stockbroker's report refers to the "spectacular results" he achieved in Australia.

There he selected the executives who would create Hill Samuel's retail Cash Management Trust business. Launched in 1980 it now has A$800m of managed funds and around 40 per cent of the market share.

Trevor Humphries

If Australia was well-managed, then observers reckon he did an even better job on the group's South African business when he served in Johannesburg from 1978 to 1980. There, as managing director of the Hill Samuel Group (SA), he divested the subsidiary merchant bank of its property interests, boosted merchant bank profits by a half and left the South African group enjoying a record year in 1979-80.

The big question in 1980, then, was whether he could do for the whole group what he had managed overseas. Although he continues to be modest and even self-effacing, Castleman is now widely acknowledged to have steered the Hill Samuel group out of some very lacklustre years.

One veteran Hill Samuel-watcher puts it this way: "He has tightened the thing up considerably. The accent has been on profitability and cost control. The bank had an increasingly poor reputation in the 1970s. Now I would say it is top of the second division of accepting houses, but looking like a promotion candidate".

Castleman himself is not only self-effacing, but considered somewhat bland by some colleagues. He is married with two children, lives in Islington, drives himself to work in his yellow *Triumph* Stag and drinks sparingly.

He is a sportsman, playing cricket, and squash occasionally. He is not at all a snappy dresser and shies away from Savile Row suits.

Some colleagues view him as having been too obsessed with detail. "He was good in the engine room of Hill Samuel, but we have yet to see whether he is as good with his eyes on the horizon," comments one colleague.

Some see Castleman as "*fairly* intense" when it comes to business. This intensity, however, does not prevent him from dealing quite amicably with his colleagues.

Vacancy for

GENERAL SECRETARY

The General Secretary of the Society of Telecom Executives (formerly Society of Post Office Executives), a TUC affiliate, is due to retire on September 30 1983, and applications for the post are invited by May 6 1983.
The job is open to all.
Details are obtainable on written request to the General Secretary, Society of Telecom Executives, 102/104 Sheen Road, Richmond Upon Thames, Surrey TW9 1UF.
The envelope to be superscribed 'personal.'

THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

CONSOLIDATED 4% (FORMERLY 3½%) DEBENTURE STOCK

Notice is hereby given that a Petition has been presented to the Court of Session by THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C. ("the Company") a Company incorporated under the Companies Acts 1862 and 1867, re-registered as a public limited company on 31st August 1981 and having its Registered Office at 45 Charlotte Square, Edinburgh, craving their Lordships inter alia (1) to appoint the Company to summon and hold a meeting of the holders of its Consolidated 4% (formerly 3½%) Debenture Stock for the purpose of considering and, if so resolved, approving, with or without modification, a Scheme of Arrangement between the Company and the holders of its Consolidated 4% (formerly 3½%) Debenture Stock printed in the Appendix to the said Petition and (2) to pronounce an Order sanctioning the said Scheme of Arrangement.

In said Petition by Interlocutor dated the 6th day of April 1983, the Court of Session has ordered a meeting to be convened of the holders of the said Consolidated 4% (formerly 3½%) Debenture Stock of the Company for the purpose of considering and, if so resolved, approving, with or without modification, the said Scheme of Arrangement and has authorised the directors of the Company to fix the day, hour and place of the said meeting.

As authorised by the said Interlocutor the directors have fixed the day, hour and place of the said Meeting and Notice is Hereby Given That the said meeting of the holders of the said Consolidated 4% (formerly 3½%) Debenture Stock of the Company will be held at 45 Charlotte Square, Edinburgh on the 3rd day of May 1983 at 11 a.m. at which place and time all the holders of the said Consolidated 4% (formerly 3½%) Debenture Stock of the Company are requested to attend.

At the said meeting the following Resolution will be proposed:—

"That the Scheme of Arrangement dated the 11th day of April 1983 between The Scottish American Investment Company P.L.C. and the holders of its Consolidated 4% (formerly 3½%) Debenture Stock (a copy of which has been produced to this Meeting and for the purpose of identification signed by the Chairman thereof) be and the same is hereby approved, and the Directors of the Company be and are hereby authorised to take and to concur in all steps necessary for carrying the same into effect."

A copy of the said Scheme of Arrangement and a copy of the Explanatory Statement explaining the effect of the said Scheme and containing the *statement required by Section 207 of the Companies Act, 1948* may be obtained by any holder of the said Consolidated 4% (formerly 3½%) Debenture Stock upon application to the offices of Dundas & Wilson, C.S., 25 Charlotte Square, Edinburgh EH2 4EZ or Laurence, Prust & Co., Basildon House, 7 Moorgate, London EC2 and may be seen at these offices during usual office hours.

A Stockholder entitled to attend and vote at the said Meeting may vote in person thereat or may appoint another person or persons, who need not be a Stockholder, as his proxy to attend and vote in his stead.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Stockholders.

To be valid, forms appointing proxies must be signed in accordance with the instructions contained therein and lodged at the office of the Registrars of the Company, The Registrar's Department, The Royal Bank of Scotland plc, P.O. Box 27, 34 Fettes Row, Edinburgh EH2 6UT, not later than 48 hours before the time appointed for the said Meeting.

The Court has authorised the Chairman of the Company whom failing any other Director of the Company to be Chairman of the said Meeting and directed such Chairman to report the result thereof to the Court. The said Scheme of Arrangement will be subject to the sanction of the Court.

Dundas & Wilson, C.S.,
25 Charlotte Square,
Edinburgh EH2 4EZ
Solicitors for Petitioners

8th April, 1983.

These securities have been placed privately. This announcement appears as a matter of record only.

Nfls 100,000,000

N.V. PHILIPS' GLOEILAMPENFABRIEKEN

7¼% bearer notes 1983 due 1988

Amsterdam-Rotterdam Bank N.V.	Deutsche Bank Aktiengesellschaft
Algemene Bank Nederland N.V.	Swiss Bank Corporation International Limited
Pierson, Heldring & Pierson N.V.	
Bank Mees & Hope NV	

March 15, 1983.

THE ARTS

Exhibitions

WEST GERMANY

Cologne, Rautenstrauch-Joest Museum: The only German venue of an exhibition featuring 2,000 Mexican wooden dance and death masks. Also Pre-Columbian objects on loan from the Instituto Nacional de Antropologia e Historia in Mexico City. Ends May 15.

Hamburg, Kunsthalle, 1 Glockengiesserwall: Portraits from Martin Luther's times. Ends April 24.

Bonn, Städtisches Kunstmuseum, 7 Rathausgasse: 140 works by Paul Klee, August Macke and Louis Moilliet from a Tunisian trip which the three took together shortly before the First World War. Ends April 24.

Cologne, Kunsthalle, 1 Josef Haubrich Hof: Georges Rouault – 260 paintings, water colours, gouaches and graphics. Ends May 8.

Hamburg, Museum für Völkerkunde, 64 Rothenbaumchaussee: The Museum for Ethnology is showing arts and crafts from Guizhou (Southwest China). Ends April 30.

Cologne, Wallraf-Richartz-Museum, An der Rechtschule: Irish art of three thousand years comprises virtually all Irish national treasures on loan from the Irish National Museum, Trinity College, Dublin, and Irish Academy of Sciences. Manuscripts, relics of Irish Saints and utensils from the workshop of Irish monasteries, silverware, and gold and silver jewellery. Ends June 2.

Frankfurt, Kunstverein, 44 Markt: Photographs, drawings and graphics by David Hockney underline his importance as Britain's greatest realistic painter. Ends April 24.

Munich, Kunstverein, 4 Galeriestrasse: City Jungle has 120 large drawings and photographs by eight contemporary Berlin artists showing the desolate and brutal side of big city life. Ends May 1.

Berlin, Staatliche Kunsthalle, 44-46 Budapester Strasse: The Other America – the everyday life of America's workers – and the cultural history of the American labour movement are traced with the help of 900 photographs, posters, leaflets and paintings beginning with the 18th century. Ends April 24.

A detail from The Drinking Place, by Stanhope A. Forbes, in the Landscape in Britain 1850–1950 exhibition, London

PARIS

Giorgio di Chirico: Beaubourg is showing some 100 paintings and 40 drawings by De Chirico, including the most important ensemble of his metaphysical work ever. Centre Georges Pompidou, Grande Galerie, 5th floor. (277 1112). Closed Tue. Ends April 25.

Claude Monet: Homage is paid to his Giverny period with 45 of his paintings, including the nymphes, at the Centre Culturel du Marais, 28 Rue des Francs-Bourgeois (277 3225). Closed Tue. Ends July 17th.

LONDON

Hayward Gallery: Landscape in Britain 1850-1950. A lucky-dip of an exhibition rather than a close scholarly exercise, but none the less enjoyable for that. The good things are there to be discovered among the interestingly moderate and even sometimes rather awful greater part; and if some of the great names are not too well represented, Whistler and Sickert for example, enough of the more obscure are all the more in evidence, and the very best behaviours, from minor pre-Raphaelites to fifties expressionists. Ends April 17.

VIENNA

Palais Palffy: Turkish weapons from the Zagreb historical museum as part of the celebrations for Turkish year in Vienna. The collection of armoury and weapons, many with individual and magical designs, shows development between the 16th and 19th centuries.

Albertina: Josef Danhauser, the Biedermeier painter (1805-1845) previously lost and now rediscovered.

BRUSSELS

Société Générale de Banque: Art Nouveau to Today – 100 years of European glass. Ends May 20.

NEW YORK

Metropolitan Museum of Art: Those overwhelmed by the sheer volume of art at the Vatican will much appreciate the present loan of 230 choice pieces, including the Apollo Belvedere, Caravaggio's The Deposition and even modern pieces by Matisse in what the museum is calling its show of a decade. Ends June 12.

Whitney Museum: Films and videotapes by 30 artists highlight the 62nd Biennial for American artists, including Frank Stella and Jasper Johns among the 78 artists represented by 124 works. Ends May 22.

WASHINGTON

National Gallery: Seven major series by sculptor David Smith are represented in the 90 large works in welded metal included in the exhibit. Ends April 24 (337 2700)

CHICAGO

Chicago Historical Society: Besides a permanent collection with a visual biography of Lincoln, audio-visual account of the great fire and daily demonstrations of weaving and candlemaking, this regional institution has a special show of something Chicagoans must know well: cold-weather clothing over the last century. Ends May 1.

Museum of Contemporary Art: To complement the museum's self-appointed task of documenting American unschooled naif painters comes an exhibit of 47 unschooled German painters of the 20th century, among them Adalbert Trillhaase, the Bible-painting clerk who inspired Düsseldorf realists early this century. Ends May 22.

Burt Reynolds, Goldie Hawn, and dogs in 'Best Friends'

Cinema/Nigel Andrews

A slowboat to divorce

Best Friends
The Girl With Red Hair
Jean Gabin and Treasures of A Golden Age: Japanese Cinema 1930-1950

Comedies, like marriages, can go wrong by imperceptible and devastating stages. In *Best Friends* Burt Reynolds and Goldie Hawn play two happily cohabiting Los Angeles screenwriters who decide to put their love to the test by getting married. After a swift and scrambled wedding at a takeaway Spanish marriage-parlour — "I dee en-doh" intones priest Richard Libertini, which Burt and Goldie finally decode as "I thee endow" — they charge Eastward by Amtrak to see each other's in-laws. And two pairs of Mums and Dads prove, not surprisingly, enough to fray to fissure-point their already frail legalised rapport. Doesn't formal bonding, the film asks us to wonder, end up creating more tension and estrangement than free-will togetherness?

Shakespeare said, "Love alters not which alteration finds." But he reckoned without the determined contrivances of two Hollywood scriptwriters; by whom I mean not Reynolds and Hawn but Barry Levinson and Valerie Curtin who wrote, with just a soupçon of autobiography, *Best Friends*. And they in turn reckoned without director Norman Jewison, who seems to have sprayed large quantities of invisible opiate on to the film's set. For the pace is funereal and it gets funereal-er.

As two polished comedians, Hawn with her sea-storm of blonde hair and dizzy aureole of duckling innocence and Reynolds with his round face like a pancake in search of a filling, go to it without a will, you wonder how two old pros can interact so sluggishly without actually stalling. And the film further novocaines the senses with wash-over fuzzed photography (school of Vilmos Zsigmond) and wall-to-wall plinky piano music (school of Angus Steak House).

As in any collapsing comedy, or marriage, there are sudden, sweet and totally misleading "highs." Who could resist Jessica Tandy as Hawn's mother, tolerantly tut-tutting over her (Tandy's) skirt-chasing husband. "That was our third maid," she sighs, as the third maid exits; "I think it's wonderful how he keeps trying." But Tandy reigns supreme, like a last errant shaft of sunlight, over a blackening skyscape. When the film moves on to the second set of parents (Reynolds') and we discover they're almost identical to the first (so are the jokes), the audience starts... mentally... filing divorce proceedings.

*

The most intriguing thing about the Dutch film *The Girl With Red Hair* is its specially processed colour photography: which looks as if large and thirsty leeches had been applied to the negative, to suck out all but the most bright and stubborn hues. A virtually black-and-white movie results, with faint and fascinating ghosts of coloration. (Mostly red and mostly the heroine's hair.)

Directed with matching restraint by Ben Verbong from a true story of the Dutch Resistance, the film depicts Hannie Schaft (Renee Soutendijk) and her war against the Nazis: a teasing, fatalistic tale of bombs and bullets and getaway bicycles, designed with slow, tension-plated stoicism like a Le Carré novel.

At times the attenuations of pale photography and laconic dialogue stretch the mood too thin. Like a yarn of over-masticated chewing gum, the movie loses both crispness and flavour. But at other times the film's slowness and pallid accuracy prove a plus: vacuuming up precious details that a more highly-coloured, gung-ho approach would have trampled. Verbong shows how heroism is mined with horrible accidents and trivia — a gun that won't go off, a tell-tale gleam of red beneath the blackhair-dye. And also how heroism can end, as here, not with a bang or a whimper, but with the polite and unceremonious pop of an executioner's bullet atop a picturesque, windy sand-dune.

*

There are two good reasons for homing in on the National Film Theatre this month. Jean Gabin, that massive and minimalist Frenchman, who resembled a large chunk of granite wired for tiny flickers of sensitivity, is honoured with a 22-film retrospective. Gabin is one of those actors whom the "camera loved" in a totally one-sided passion. For he never played up to it or flattered it back; hoeing instead his own lonely, laconic, irresistibly magnetic furrow to truth. (Lino Ventura, another granitic Gaul with flickers of superfine subtlety, is perhaps his closest modern descendant.) See now, if you haven't already, *Pepe Le Moko, Martin Roumagnac* (with Dietrich co-starring), Ophuls's *Le Plaisir, A Pig Across Paris* and, of course, *La Grande Illusion*.

Also disbursing themselves on the South Bank are the treasures of Japanese Cinema, 1930 to 1950. Well-laurelled classics by Mizoguchi and Ozu jostle with lesser-known but lucent comedies and family films (by Gosho, Shimizu and others) and one or two rampant curiosities. Most notable of the last is Kurosawa's *Judo Saga Part 2*, never seen in Britain before: a kooky-sounding Martial Arts saga which was confiscated by the U.S. after the war and has only just been let loose again. It shows on April 27: mark your diary.

Gloria Swanson at the time of the publication of her autobiography in 1981

*

Sic transit, alas, Gloria Swanson: who died this week, aged 86, and was surely one of the most glamorous and unfulfilled superstars the cinema has known. As if her career had been designed by some almighty symmetrist, her best performance came exactly half way through her acting life. It was in 1950 with *Sunset Boulevard*. However many times one returns to this movie's mad mansion, with its billowing drapes and wrought-iron shadows and bloat-headed Prussian butler (Eric Von Stroheim), the film and Swanson's own performance as the spidery, strong-jawed diva (whose facial gestures gave new meaning to the phrase "leading with the chin") have an infinite variety.

But either side of this magnificent *folie de grandeur*, Swanson was never sufficiently challenged. Her early movies with Cecil B deMille are high-society emptinesses, calling forth Swanson's beauty and clothes-sense but little or nothing of her serpentine patrician style. Stroheim himself chiselled a pedestal for her in 1928 with *Queen Kelly*—where her dotty hauteur and face nimbused in soft-focus began to be properly iconised. But *Sunset Boulevard* was the real and overdue open-sesame. And the too long soundless star also proved she possessed a superb voice. A crushed-velvet croon with sibilants like writhing snakes.

Thereafter, however—perhaps because no one dared try to follow the unfollowable—Swanson's career tobogganed downhill. She was exemplarily wasted in *Airport 75* and donned a German accent to be attacked by bees in *The Killer Bees*. Thank goodness she wrote late in life a witty, tart autobiography, in which she sashayed through stardom, scandal and several husbands (not to mention Joseph Kennedy as a three years' lover) with the caustic pride and regality of Norma Desmond herself. It's inadequate to say on her death that she will be missed. She has been missed for the last 33 years.

Music

LONDON

London Concert Orchestra and Chorus conducted by Richard Hickox with soloists including Felicity Palmer and Norman Bailey. Elgar's Dream of Gerontius. Royal Festival Hall (Mon). (928 3191).

Vanya Milanova, violin and Elizabeth Altman, piano. Beethoven sonatas. Queen Elizabeth Hall (Mon). (928 3191).

Royal Philharmonic Orchestra conducted by Walter Weller with Janet Baker, mezzo-soprano. Wagner and Mahler. Royal Festival Hall (Tue).

London Concert Orchestra conducted by Harry Rabinowitz with Malcolm Binns, piano. Russian programme. Barbican Hall (Tue). (638 8891).

Philharmonia Orchestra conducted by Bernard Haitink with Zara Nelsova. Elgar. Royal Festival Hall (Wed).

London Sinfonietta conducted by Antony Pay. Oliver Knussen, Simon Bainbridge and others. Queen Elizabeth Hall (Wed).

English Chamber Orchestra conducted by Norman del Mar with Oscar Shumsky, violin. Rossini, Mozart, Saint-Saens and Beethoven. Barbican Hall (Wed).

London Symphony Orchestra conducted by Andre Previn with Yuzuko Horigome, violing. Mendelssohn and Prokofiev. Royal Festival Hall (Thur).

Lontano, directed by Odaline de la Martinez with Mary King, mezzo-soprano and Nigel Robson, tenor. Purcell Room (Thur). (928 3191).

Ronnie Scott's, Frith Street: Pianist Cedar Walton leads a quintet including trombonist Curtis Fuller and drummer Billy Higgins.

PARIS

Marilyn Horne recital (Mon) TMP – Chatelet (261 1983).

Jose Van Dam recital (Mon) Theatre de l'Athenee (742 6727).

Alfred Brendel, piano: Beethoven sonatas (Tue). Salle Pleyel (563 8873).

Itzhak Perlman and Vladimir Ashkenazy: Brahms' sonatas for violin and piano (Tue). Theatre des Champs Elysees (723 4777).

Ensemble Orchestral de Paris with Jean-Claude Pennetier as conductor and soloist: Haydn, Janacek, Schoenberg (Tue). Sale Gaveau (563 2030).

Orchestre de Paris conducted by Daniel Barenboim with Maurice Andre: Beethoven, Haydn, Elgar, Scriabin (Wed, Thur). Salle Pleyel (563 8873).

Marielle Nordmann – harp recital (6.30pm); Bruno Pasquier – compositions for an alto (8.30pm); traditional Latin American music (10.30pm) Thursday all three concerts. Opera Comique (296 0611).

ITALY

Rome: Auditorium via della Conciliazione; Bruno Gelber, piano. Shostakovitch and Brahms (Mon and Tue). **Rome**: Auditorium Foro Italico: Uto Ughi, piano, Beethoven and Schubert (Wed and Thur).

NEW YORK

New York Philharmonic: Zubin Mehta conducting, Krystian Zimerman piano. Schoenberg, Liszt, Debussy (Tue); Zubin Mehta conducting, Gidon Kremer violin, Kim Kashkashian viola. Mozart, Bruckner. Avery Fisher Hall (874 2424).

Boston Symphony: Seiji Ozawa conducting, Hildegard Behrens soprano. Mozart, Strauss (Wed, Thur), Carnegie Hall (247 7459).

New Music Consort: Wuorinen: Trio for Brass Instruments (world premiere), Lundborg: Ghost Sonatine (world premiere), Boulez, Berio, Davidovsky (Thur). Carnegie Recital Hall (247 7459).

Alice Tully Hall: Maurice Bourgue oboe, Richard Goode piano. Demerssemann, Mozart, Schumann, Brahms (Mon, Tue); Benita Valente soprano, Cynthia Raim piano. Bach, Schuber, Strauss, Ravel, Wolf (Thur). Lincoln Center (362 1900).

Merkin Hall: Seta Karakashian piano recital: Muradian, Kabalevsky (Mon); Musica Camerit, Samuel Sanders director and piano. Rossi, Shostakovitch, Copland, Schubert, Bloch (Tue). Abraham Goodman House (129 W. 67th, 362 8719).

CHICAGO

Chicago Symphony: Sir Georg Solti conducting. Wagner (Thur) Orchestra Hall (435 8122).

VIENNA

Musikverein (658 190): Mirella Freni lieder Recital. Piano Paola Molinari: Mozart, Rossini, Verdi, Duparc, Faure, Rachmaninov (Tue).

Konzerthaus (721 211): Natalia Gutman, Cello. Elisso Wirssaladse, Piano. Grieg, Mendelssohn and Prokofiev (Mon); Vienna Symphony Orchestra, conductor Christoph Eschenbach. Natalia Gutman, Cello, Beethoven and Shostakowitch (Thur).

Arts Week

F	S	Su	M	Tu	W	Th
8	9	10	11	12	13	14

Opera and Ballet

PARIS

London Festival Ballet in Giselle and La Sylphide with Natalia Markova, Eva Evdokimova and Peter Schaufuss at the TMP-Chatelet. (261 1983).

La traviata conducted by Alain Lombard at the Opera Comique. (296 0611).

Erwartung with Christine Eda-Pierre is combined with Pailliasse sung by Jon Vickers, Teresa Stratas and Juan Pons at the Paris Opera. (742 5750).

ITALY

Milan, La Scala: Carla Fracci in Sleeping Beauty; the world premier of a work to Theodorakis choreographed by Maurice Bejart for his 20th Century Ballet; Lohengrin conducted by Claudio Abbado and directed by Giorgio Strehler.

LONDON

Royal Opera, Covent Garden: Don Carlos, a French Grand Opera at last given at Covent Garden in its original language, returns with a cast of newcomers to their roles (including Robert Lloyd and Thomas Allen) and Bernard Haitink as conductor. The Don Pasquale revival, with Geraint Evans in the title role, shows off two of today's most attractive light voices, Luciana Serra and the Latin tenor Francisco Araiza.

Sadler's Wells, Rosebery Avenue: Joyce Trisler Dance Company from New York arrives on Tuesday for a week of pieces covering the history of American modern dance. (278 8916).

WEST GERMANY

Berlin Deutsche Oper: A new production of Jakob Lenz, a chamber opera by contemporary composer Wolfgang Rihm being given in Berlin for the first time, although frequently staged elsewhere in the Federal Republic. In the main parts are Richard Salter and William Dooley. Edda Moser triumphs in Idomeneo. Boris Godunov, a good production by Rudolph Sellner, features Sieglinde Wagner and Martti Talvela. This week's highlight is Aida with Julia Varady and Renata Cossotto. Elektra with Gwyneth Jones and Ingrid Bjoner rounds off the week. (34318).

Hamburg Staatsoper: Der Troubadour with Julia Varady and Franco Bonisolli is well worth the effort. Der Trojaner has Karan Armstrong and Harald Stamm in the main roles. Also this week Ein Maskenball starring Franco Bonisolli as Riccardo and Anna Tomowa-Sintow as Amelia. (351151)

Stuttgart Württembergisches Staatstheater: Stuttgart's Der Fliegende Holländer with Toni Kraemer in the title role. Also Don Carlos and Der Freischütz. (20321)

NEW YORK

Metropolitan Opera: The week's performances include Parsifal conducted by James Levine with Tatianiana Troyanos, Timothy Jenkins and Simon Estes, along with Madama Butterfly, Il Barbiere di Siviglia and Il trovatore. Opera House, Lincoln Center (580 9830).

Paul Taylor Dance Company: Two world premieres, Sunset and Snow White, are included in the 24-performance season of one of America's veteran modern dance troupes. City Center (581 7907).

Pilar Rioja: Internationally known flamenco dancer performs to the music of Bach, Corelli, Albinoni, Bocherini and the poems of Garcia Lorca. Gramercy Arts, 138 E. 23rd (889 2850).

VIENNA

Staatsoper (5324/2655): Die Entführung aus dem Serail, Die Meistersinger von Nürnberg, Ariadne Auf Naxos. On Thursday there will be the premiere of Andre Chenier produced by Otto Schenk, conducted by Riccardo Chailly, scenery by Rolf Glittenberg and costumes by Milena Canonero. Chenier will be sung by Jose Carreras, Maddalena by Eva Marton and Gerard by Giorgio Zancanaro.

Volksoper (54324/2657): Der Graf von Luxemburg, Das Feuerwerk, Die Entführung aus dem Serail, Die Csardasfürstin.

Theatre

NEW YORK

A View from the Bridge (Ambassador): Broadway and Arthur Miller finally have a hit for the new year – Arvin Brown's musty but true revival of the melodrama of forbidden love in New York dockland. Tony LoBianco may reach the full pitch of contrived despair too soon, but audiences love the schmaltz, even in an Italian accent. (239 6200)

Amadeus (Broadhurst): David Dukes stars as Salieri in the award-bedecked and elegant National Theatre production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Carrie Fisher enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing Technicolor Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (245 5760)

Nine (46th St): Two dozen women surround Raul Julia in this Tony-award winning musical version of the Fellini film 8-½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish re-creation of the London hit. (239 6262)

Top Girls (Public): After the Royal Court production enjoyed a short sold-out run, Caryl Churchill's ruminations on ambition and women re-opens with a local cast including film actresses Linda Hunt, Kathryn Grody and Sara Botsford, again directed by Max Stafford Clark. (598 7100)

Extremities (West Side Arts, 43rd W. of 9th Av.): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast led by Susan Sarandon and James Russo. (541 8394)

Marcel Marceau (Belasco): If anyone can cheer up Broadway's sagging season it should be France's favourite silent clown. (239 6200)

On Your Toes (Virginia): Natalia Makarova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370)

WASHINGTON

Show Boat (Opera House, Kennedy Center): A cast of 50 from the Houston Opera company led by Donald O'Connor revives the Kern-Hammerstein musical of *1927* with its brilliant score including songs Ol' Man River, Bill and Make Believe. (254 3770)

Make and Break (Eisenhower): Michael Frayn's zany tragicomedy of contemporary salesmanship writ large at convention time gets its American premiere with telly star Peter Falk in the Leonard Rossiter role, directed as in London by Michael Blakemore. (254 3670).

Geniuses (Arena): A takeoff of the shooting of Apocalypse Now in the Philippine jungle captures, if not the real Hollywood, at least the East Coast assumptions about it, which are funny enough. (488 3300)

CHICAGO

The Dining Room (Goodman, 200 S. Columbus Dr.): A. R. Gurney Jnr's vision is confined by four walls, the four walls of a middle-class New England family as it changes with its inhabitants. (443 3800).

Duet for One (North Light Rep, 2300 Green Bay, Evanston): Tom Kempinski's slightly veiled story of the painful and frustrating accommodation of a concert artist to growing debility stars Eva Marie Saint. (869 7278)

E.R. (Organic, 3319 N. Clark): This hit-and-miss local company has a long-running success with an earnest parody of hospital-based melodramas, starring Gary Houston as an ambitious young doctor, Shuko Akune as the receptionist and Lily Monkus as the authoritarian nurse. (327 5588)

Gardenia (Goodman) John Guare picks a post-U.S. Civil War setting for his latest play, following up Bosoms and Neglect with idealism trying to set down roots in innocent.

LONDON

A Map of the World (Lyttelton): Brilliant new play by David Hare, set in *a luxury Bombay hotel* where a Unesco conference on world poverty has been convened. Chill, meticulous production by the author has strong performances from Roshan Seth (Nehru in the film Gandhi) as an Indian novelist, Bill Nighy as a journalist and Diana Quick as the actress in the middle of an ideological showdown. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Yakety Yak (Astoria): Enjoyable pot-pourri of songs by Lieber and Stoller, evocative of the 1950s and '60s, and exuberantly performed by a Liverpudlian quartet of brothers and The Darts. (437 6565).

The Real Thing (Strand): Fascinating, enjoyable new Tom Stoppard play which examines a playwright's attitudes to work, music and love in characteristically well-written, complex vein. A tone of serious levity is well struck in Peter Wood's production and the performances of Roger Rees and Felicity Kendal. (836 2660/4143).

Other Places (Cottesloe): Triple bill of Harold Pinter plays superbly directed by Peter Hall. Pinter breaks new ground in A Kind of Alaska, Judi Dench outstanding as a woman coming out of coma after 29 years and accelerating from small girl to adult maturity in half an hour. (928 2252).

Trafford Tanzi (Mermaid): Exuberant play that sets the battle of the sexes in a wrestling ring. This fringe success has re-opened the embattled City of London venue. (236 5568)

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. One or two brilliant set pieces, but is all this strenuously arthritic camping about really *preferable to the prim stasis of the* D'Oyly Carte tradition? (836 8108)

84 Charing Cross Road (Ambassadors): Moving, unspectacular account of the love affair by correspondence between a New York Anglophile, Helene Hanff, and the owner of a West End bookshop. (836 1171)

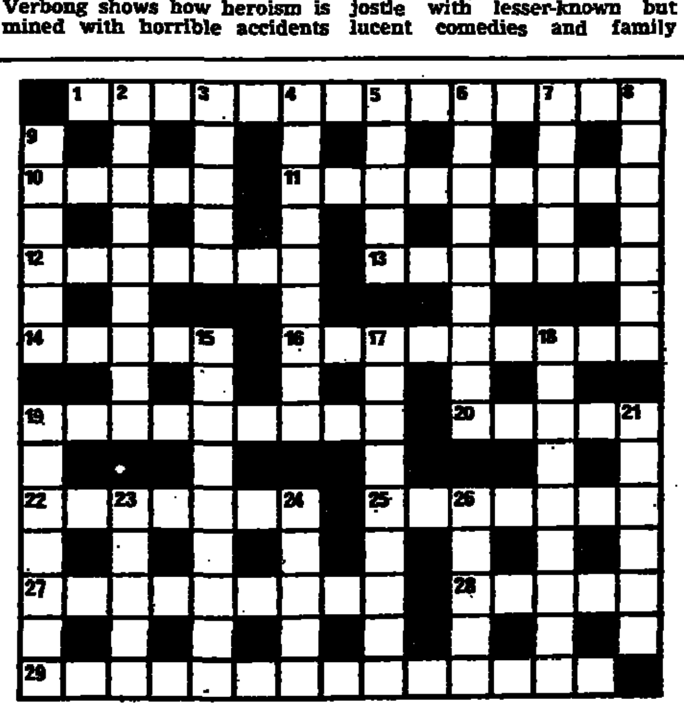
Guys and Dolls (Olivier). A first-class revival of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (928 2252)

VIENNA

Vienna's English Theatre (421 260): Hughie and Before Breakfast: two one act plays by Eugene O'Neil. (Daily except Sun)

Theater an der Wien (579 632): Anatevka (Daily except Mon).

F.T. CROSSWORD PUZZLE No. 5,141



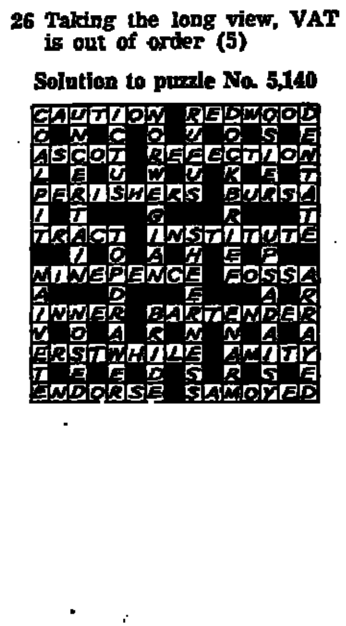
ACROSS

1 Acquire a monopoly of a kind of love for furniture (6, 8)
10 When morning's over? Correct (5)
11 Young fox near earth? A nice little place to hide (5, 4)
12 Flavouring for fans? (7)
13 After a trick won by trumping, played the first card, being upset (7)
14 Dog's share of tonic or gin (5)
16 Dog with no tail at holy city—crash (9)
19 Go back to your nests! (4, 5)
20 Ink from the cuttlefish—the first page is in water (5)
22 Knock at the gate, perhaps, for those who understand each other (7)
25 Parson Lake's brown study (7)
27 Being able to bounce back, I lie on a pole in repose (9)
28 Sort of orator that gets bail? (5)
29 Yawning gaps, away from it all? (4, 4, 6)

DOWN

2 Not the normal run of poem—anyone can contribute to it (4, 5)
3 Bottom of drain? (5)
4 Not what the ads mean by "good runner" (6, 3)
5 Pigment with 'Ull on it? (5)
6 Corollary of grunt of wolves? (3, 2, 4)
7 A tax on Coral Island? (5)
8 Place for shepherdess with short frock and little room (7)
9 Capers about at an unearthly distance (6)
15 Mix-up involving mob with girl I love? (9)
17 Finale for the religious, commonplace in a girl (4, 5)
18 Solicit one politician with golden melody (9)
19 Fish-eggs, we hear, must take some hoeing (4, 5)
21 Beer and pop mixed in Syria (6)
23 Put just so, or as a question (5)
24 Subject in the Middle East (5)
26 Taking the long view, VAT is out of order (5)

Solution to puzzle No. 5,140



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Friday April 8 1983

A Brazilian warning

RIOTS in the streets of Sao Paulo this week are a reminder that Brazil's economic and social problems continue in spite of the recent rescheduling of its external debt of $90bn (£60bn). If anything, the wonder is that trouble has not broken out before, given the extremes of poverty and an urban unemployment rate closer to 20 per cent than to the officially admitted 8 per cent.

Unemployment and the high cost of living brought the demonstrators on to the streets, but that may not have been the full story. According to one reading, Left-wing groups fomented the riots because they were dissatisfied with the moderation of the local Governor, Sr Franco Montoro, himself in opposition to the military regime in Brasilia. According to another, hard liners in the military regime might have seen advantage in what happened: open disorder in the streets gives them an argument against the process of liberalisation pursued by Gen Joao Figueiredo, the President.

Governor Montoro, a man of the moderate Left, has been accused of weakness for failing to nip the disorders in the bud. The charge is probably unfair. Allowance must be made for the obvious difficulties facing an opponent of the military regime upon taking over what had previously been a sternly authoritarian machine of law enforcement.

Oil crises

However, the Governor is open to a charge of recklessness for having promised, during his election campaign last November, to launch public works giving employment to 40,000 people. Like most other Brazilian states, Sao Paulo does not have the money for even a modest venture of that kind.

It is dangerous to arouse hopes which cannot be fulfilled in the present situation of Brazil. The broad outlines of that situation are well known. A period of rapid growth, sustained in the main by the public sector, was abruptly halted by the impact of the oil crises of the 1970s and the subsequent international recession.

Unable to service its debts, Brazil had to negotiate a rescheduling at the cost of drastically lowering its economic targets. This year the economy is likely to shrink. Subsequently growth of no more than 1½-2 per cent a year is considered to be feasible. That compares with the 8 per cent needed to find work for the young people coming on to the labour market. On any realistic assumption, therefore, unemployment will become worse, not better.

This gloomy picture is only slightly relieved by the improvement of the country's balance of trade during March. A surplus of $514m was in keeping with the hoped for surplus of $6bn for the whole year. But it would be wrong to jump to conclusions on the strength of figures for one month only. Far more evidence will be needed before there is any certainty that the target for 1983, which is one of the underlying assumptions of the rescheduling deal, will really be hit.

Barter deal

From the point of view of debt management it is difficult to accept the relevance of the barter deal that Sr Antonio Delfim Neto, the Planning Minister, is trying to conclude with Mexico. Barter trade provides no foreign exchange required for debt service. It diverts potential exports that might otherwise be available for export against hard currency. And it may commit Brazil to greater oil imports from Mexico than the austerity programme warrants.

From this analysis it is clear that a task of the utmost delicacy will confront both the Brazilian authorities and their creditors abroad for a long time to come. Both the military regime in Brasilia and the democratically elected state governors in opposition to it must, willy-nilly, pursue the course of austerity imposed by the country's debt.

On the other hand the screws must not be tightened to the point where popular discontent becomes uncontrollable. A most careful balance needs to be struck to keep the country's debt problem under control and to prevent the troubles in Sao Paulo recurring on a greater and graver scale.

Strikes in UK public sector

MR NORMAN TEBBIT has made it clear he is not going to ban strikes in Britain's essential services, in a quiet assurance given to Conservative Party officials.

This is sensible, for a number of reasons. First, compelling unwilling workers to work is a recipe for pent-up aggravation and plummeting productivity, as witness Poland. Secondly, the more domestic case of Betteshanger Colliery, in Kent, where the 4,000 miners struck in 1941 and could simply not be prosecuted by the Government despite strikes being proscribed under wartime regulations, is a salutary reminder of the difficulties of enforcing effective sanctions.

Thirdly, the constant problem, pointed up in the 1981 Green Paper on Trade Union Immunities, is defining which services are essential. In an interdependent economy, demarcation lines are hard to draw—is the power station worker deemed essential, and the lorry driver delivering coal or oil to the station not so considered? Are bakers essential workers? And do not many people consider television technicians as at least as necessary to civilised life as any other group? To penalise or to reward "essential" service workers is to set up new tensions between them and other workers who may be only arbitrarily excluded from the category in which the former have been placed.

Restraint

The 1981 Green Paper made the point that, in general, "workers in key sectors have exercised their considerable power to disrupt the community with restraint . . . if they have taken action at all, they have usually maintained essential services and supplies." Some groups—like nurses—simply do not take strike action whatever the cause, while others—like mineworkers—only rarely do, despite the urgings of their leaders. The obvious exceptions of the health service workers (1978-79 and 1982) and the water workers (1983) provide the emotive backdrop for Mr Tebbit's present thoughts on curbing industrial action in these areas—but they are exceptions.

The fact that the health workers' action in 1978-79 shocked other trade unionists as well as the rest of the country was a factor in the TUC producing its code of conduct, which was partially effective in preventing the worst side-effects of last year's action. Such a code is clearly a helpful element for any future arrangements. It should be better enforced than it was last year—area health authorities and unions often colluded in keeping some distressing incidents out of the press—but it was a reasonable document in itself and an initiative which should be encouraged and extended.

Further action by Government is fraught with difficulty. To be successful, such action would need to avoid passing laws which cannot be made to stick, or imposing sanctions which would not be obeyed. It should run with the grain of workers' attitudes, by giving them the opportunity to back away from action which would have a serious effect on their fellow citizens.

Comparability

Yesterday's proposal by the CBI meets all these criteria. "Strikes serious enough to endanger the national interest" should require ballots to be held. To hold such a ballot, a certain minority of employees would have to demand it.

Any reform along these lines should be taken together with acceptance of the broad thrust of the Megaw Report, which advocates a comparability for public-service workers with private-sector jobs and an ordered approach to public-sector bargaining. Within such a framework, services defined as essential might attract an extra premium.

The most dramatic solution to strikes which carry serious consequences is to ban them; but a free society cannot stop workers from striking if they have an overwhelming urge to do so. The CBI's proposal has the great merit of enforcing a cooling-off period, during which the entire membership could reflect on the consequences of their proposed action. Such reflection would probably not have stopped the water workers from their recent action, since they felt a deep sense of grievance. But it would almost certainly have stopped one, if not both, series of strikes in the National Health Service.

BTR's RAID ON THOMAS TILLING

The hunter becomes a target

By Barry Riley and Ray Maughan

TWO of the faceless giants of the British corporate scene were this week preparing for what could be the biggest takeover battle for a long time.

Thomas Tilling and BTR are scarcely household names, but they represent something like £1.5bn of combined equity market capitalisation. BTR, which in the past decade has come from nowhere to become one of the UK's largest and most successful manufacturing companies, has started on a course which could lead to a £500m-plus takeover bid for Tilling—bringing under its control a bewildering variety of products ranging from Heinemann books and Pretty Polly tights to sophisticated American oilfield equipment.

There is all the promise of a fascinating clash of styles as BTR attempts to apply its stripped-down, unsentimental solutions to the problems of the more gentlemanly and traditional Tilling—which has recently had to admit that it has run into a nasty setback after massive moves into the U.S. industrial scene.

For all the supposed sensitivity of Thomas Tilling's bid antennae, the snap after-Easter raid on its shares in the Stock Market by BTR caught Sir Patrick Meaney, the chief executive, and his colleagues in Tilling's handsome Curzon Street headquarters quite by surprise. By last night BTR was thought to have acquired just over 6 per cent of Tillings' shares at 175p each — still far short of its 14.99 per cent target.

Sir Patrick readily admits that when the group's disappointing interim results were published last autumn, and the board realised that the second half was looking equally dull, Tilling was under threat.

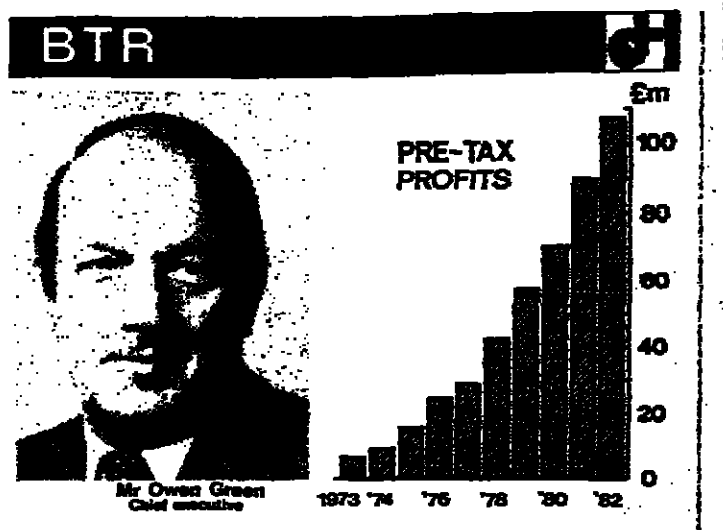
"We had worked out what you might call our reverse hit list," he says. "There were quite a few likely predators. We had looked at BTR in the past but we could never see any logic in it. It is a very different animal."

Any full bid by BTR would inevitably come under close scrutiny in Whitehall, at a time when the Government is under fire for a lack of clarity in its merger policy. Recent rulings by the Monopolies Commission and the Government show there are no clear-cut rules for conglomerate mergers.

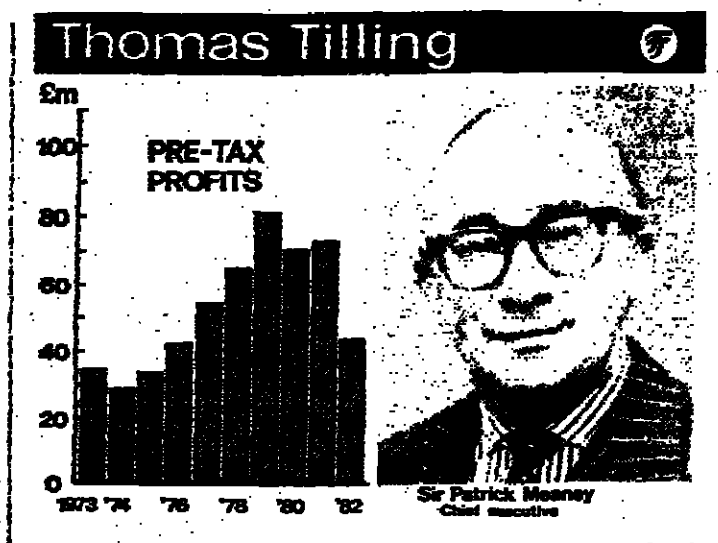
For example, Lonrho was allowed to bid for SUITS, but its approach for the House of Fraser was blocked—even though Lonrho had almost no trading overlaps with the department stores group.

It is a traumatic reversal of roles for Thomas Tilling to find itself on the receiving end of aggressive action by a potential bidder. For in its day Tilling was one of Britain's most successful industrial conglomerates, and over the years it has itself bought dozens of companies — most of them admittedly fairly small.

The original Thomas Tilling was a horse bus operator in the last century, and the present company was based upon the cash proceeds of the sale of the famous red bus operations to London Transport immediately after the Second World War.



Mr Owen Green Chief executive



Sir Patrick Meaney Chief executive

GROUP TURNOVER in 1982: £725m. By area: Europe (including UK)—turnover £399.4m, pre-tax profits £56.4m. N and S America turnover £146.8m, profits £38.9m. Asia, Australia, S Africa turnover £178.7m, profits £23.5m.
Employees: 25,700.
SECTORS: 1981 (latest figures available).
● *Energy and engineering*—turnover £214m, profits £27m. Subsidiaries include: Serck (valves and heat transfer), Worcester Controls (valves and actuators), Charlton Leslie Offshore (North Sea oil platform modules), BTR Belting (conveyor belting for the coal industry).
● *Materials handling*—turnover £196m, profits £42m. Subsidiaries include: BTR Hose, Huyck, Stowe Woodward, BTR-Permali.
● *Transportation*—turnover £138m. Profits £14m. Subsidiaries include: BTR Fatati (automobile carpets), Peradin (bonded mouldings), Serck Heat Transfer (aero engine heat transfer equipment), Greengate Industrial Polymers (hose and mouldings), BTR Permali (glass reinforced plastic engine components).
● *Other operations*—turnover £90m, profits £12m. Principal activities—medical tubing products, printers blankets, wheels and running gear components for fighting vehicles, squash balls, badminton racquets, plastics molding.

GROUP TURNOVER in 1982: £2,237.4m. By area UK—profits before interest, and tax: £65.8m; U.S. £15.1m; rest of world £12.7m.
Employees: 44,200.
SECTORS: 1982.
● *Manufacturing engineering*—trading profits £10.8m. Subsidiaries include: Cimex International (cleaning equipment), Clarkson Industries (environmental control equipment, air compressors), DCE Vokes Group (filtration ad pollution control), Gascoigne (agricultural equipment).
● *Builders' merchanting*—trading profits £9.1m.
● *Construction materials*—trading profits £9.5m. Principal subsidiaries: Pascon (plant hire, scaffolding contractors, pump manufacturers), Tilcon (ready mixed concrete, road surfacing).
● *Electronic equipment*—trading profits £4.7m. Subsidiaries include: ADS Anker (cash handling machines), Alpha Metals.
● *Energy equipment*—trading losses £16.4m.
● *Health care*—trading profits £8.6m. Principal subsidiary: Intermed (hospital equipment).
● *Industrial equipment distribution*—trading profits £10.7m. Principal subsidiary: Newey and Eyre.
● *Insurance*—trading profits £12.3m. Principal subsidiary: Cornhill Insurance.
● *Other activities*—trading profits £9.5m. Subsidiaries include: Heinemann Publishers, Pretty Polly hosiery.

Starting with cash and one or two companies like Cornhill Insurance, Tilling set out on the path which led to its becoming a leader of the new breed of industrial holding company. During the 1960s its pre-tax profits grew strongly from £4.3m to £12.9m, and the momentum was maintained for much of the 1970s too.

Tilling's style at that time was marked by caution and careful housekeeping. All-out growth was never its objective—it showed in deals like the disposal of Volkswagen UK to Lonrho in 1975 that it was ready to sell companies as well as to buy them.

The mid-1970s, however, brought the retirement of the key figures in Tilling—Sir Geoffrey Eley, the chairman, Mr Kenneth Chapman, managing director, and the finance director Mr Stanley Harding.

Taking over as managing director in 1973, Mr (now Sir) Patrick Meaney faced the challenge that many of the group's existing operations were mature, and it was largely confined to the sluggish UK economy.

Gradually a change in strategy emerged. Rights issue in 1977 and 1979 were justified by the need ot finance long-term overseas expansion, and in particular Tilling made a large number of U.S. acquisitions, in areas ranging from medical supplies to electrical wholesaling, together with a strong push into the energy equipment industry. Total spending on U.S. acquisitions has topped $500m.

In stepping up its expansion drive, however, Tilling was taking on extra risks at a time of a sharp worsening in the world economy. Pre-tax profits peaked at £81.1m in 1979, but then began to slip. A slump in UK profits was only partly offset in 1980 and 1981 by profits from the new U.S. acquisitions, which in any case were reduced by heavy borrowing costs.

The share price began to weaken. The 1981 high of 196p was not regained in 1982, despite a buoyant stock market, and at one stage earlier this year the price was as low as 109p. Increasing gloom about the 1982 results was more than justified last month when the group revealed a slump in profits to £43.7m.

A specific trouble spot was the energy equipment business in the U.S., which tumbled to losses of £16.6m. Meanwhile with net borrowings increasing by £86m to £307m during the year, group interest charges jumped from £34.1m to £49.9m. Below the line, Tilling charged £20m extraordinary losses and provisions.

BTR, the company which is fishing in Tilling's troubled waters, could also be viewed as an industrial holding group, although it has developed more narrowly as a manufacturing group—starting in the rubber and belting industry and expanding into engineering and other sectors.

It is a remarkable success story, attributable very largely to the drive and determination of its chief executive, Mr Owen Green. An accountant by training, Mr Green took over the reins at the then obscure BTR back in 1967.

For years BTR remained a minnow compared to companies like Tilling, but its compound growth rate was impressive, and it has retained its momentum through the recession. In 1981 it overtook Tilling in profit terms, and moved further ahead in 1982 to achieve £107m pre-tax. Even more remarkably, its value on the stock market reached £1.1bn before its bid for Tilling, at a time when the latter was worth only £370m.

If a takeover bid by BTR for Tilling emerges it will emphasise the clash of styles of the two companies. Whereas Tilling has come to represent a slightly old-fashioned, hands-off style of conglomerate management—albeit with a strong central management function—BTR is the epitome of an altogether more ruthless approach, with an unrelenting focus upon the bottom line of each operating subsidiary.

Whether Tilling has simply become a little out of date, or whether it has lost its cutting edge through changes in the personalities at the top, is a matter of fine judgment. But there was considerable significance in its clash in 1981 with another industrial conglomerate, Hanson Trust, over the future of the battery maker, Berec, better known in the UK as Ever-Ready.

Hanson Trust is in many respects the most closely comparable British company to Tilling. It is an industrial conglomerate which, oddly enough, also grew out of a bus company to become a broadly diversified concern. Like Tilling it moved heavily into the U.S. in the latter part of the 1970s, but it has managed to weather the recession—recording pre-tax profits of just over £60m for the year ended last September, up from £49.7m in 1980-81.

In 1981 Hanson moved menacingly upon Berec, a sleepy concern which was wilting badly under an onslaught of international competition. Beginning with a dawn raid (BTR's tactics with Tilling) Hanson subsequently launched a full takeover bid, criticising the "dismal" results and describing the management as "inept."

But at a crucial stage, Thomas Tilling appeared on the scene as a White Knight. Slapping in a counter bid, Tilling promised to leave Berec's existing management in place.

The Berec management eagerly clutched at this straw, and recommended the Tilling offer. But Hanson raised its terms and won the day.

The consequences for Berec when the Hanson hatchet men moved in weresavage indeed. The research HQ and various lossmakers in places like Hong Kong, Norway and Nigeria were quickly axed, and the head office shifted from London to County Durham. Then at the end of last year the major Continental battery operations were sold for £37m in cash.

BTR's hatchets are just as sharp as Hanson Trust's. When it acquired control of Serck, an engineering group, in the autumn of 1981 it was quick to sack the entire Board—even though a Monopolies Commission investigation was pending.

The current move by BTR against Tilling is clearly to some extent an opportunist one, aimed at taking advantage of Tilling's short-term problem in the U.S. and its excessive level of borrowings.

Yet there are also more fundamental signs that Tilling has been losing some of its grip upon its subsidiaries, not least because they are much more numerous and more widely dispersed geographically than they were a decade ago.

The most obvious symbols of the difference in styles of the two groups are their head offices. Sir Patrick Meaney operates from an elegant 18th-century Mayfair mansion called Crewe House, set amidst manicured lawns. Tilling is proud enough of this luxurious stately home to depict it upon the cover of successive annual reports.

Mr Owen Green, on the other hand, is based in a nondescript building—which looks something like a municipal lending library—overlooking Westminster School's playing fields.

Inevitably there will be something of a personal clash between Sir Patrick Meaney—who is active in the CBI and has a string of outside directorships at companies like Rank Organisation and Midland Bank—and the much more down to earth Mr Green, who is little known outside his own company (though word had spread far enough by last year for him to be voted Businessman of the Year).

In making any bid, BTR any emphasise the need to take the knife to some of Tilling's more luxurious aspects, such as Crewe House. But the argument will also be about whether Tiling has committed strategic errors, which BTR could correct.

Hanson Trust's expansion strategy has centred upon fairly large, low risk acquisitions. And BTR has concentrated upon buying businesses within a relatively narrow industrial field—although like Tilling it has sought geographical diversification in the U.S., were it has bought companies such as Huyck Corporation, a supplier to the papermaking industry.

In contrast, Tilling has made a relatively large number of small, risky investments in a variety of fields. The way that big profits in energy equipment have abruptly turned into losses emphasises the risks of this strategy, and although some of its high technology acquisitions may offer growth possibilities, they could also pose a considerable challenge to the group's management.

If it comes to an outright take-over bid, Tilling will be reassured by the knowledge that it has great experience in the art, if only from the bidder's end. It will also gain confidence from the way that a former intended victim of BTR, Bestobell, managed to fight off an attack back in 1979.

But if Tilling loses, the consequence is likely to be a large-scale restructuring of this rambling group which only recently celebrated its first acquisition in Japan, but now has to concentrate upon defending its home base.

Men & Matters

'.. bad for business'

In what the New York Times calls an "unusual grass roots movement" business executives are organising themselves into groups against nuclear proliferation and excessive military spending.

Stanley Weiss, chairman of American Minerals, is head of a national group based in Washington which is calling itself Business Executives for National Security.

"Put simplistically being dead is bad for business," he says.

Meanwhile, Louis Fischer, chairman of Frycor, a restaurant management company, is leading Philadelphia's Business Executives for Nuclear Arms Control.

Other, similar, groups exist in Boston, Chicago, Manhattan, Brooklyn, and even in President Reagan's own state of California.

Fischer says: "We are bringing a measure of credibility to the issue. We are not traditional peaceniks and they just can't dismiss us as dupes of Moscow."

Capital shares

Bonnie de Loof, aged 39, moved into property dealing when she became bored with nursing. She has since become an expert in property timesharing—the sale of a share in a villa, house, or apartment, for just a week or two each year.

But whereas traditional timeshare sales have been mainly concerned with the sea and ski trade—beach apartments and mountain chalets—she is busy selling little pieces of central London to U.S. clients.

Bonnie lives in Ann Arbor, a Michigan university town. But she is spending almost half her time in London this spring selling apartments carved out of a Sloane Gardens town house. About 100 weeks have already been taken—at prices up to $12,000 for a single week each year for a period of 35 years.

When the Sloane Gardens property has been sold the consortium of businessmen backing the project intends to convert other London town houses into similar luxury apartments and to extend the time sharing concept.

She is selling on the basis of owning an apartment "just blocks away from Buckingham Palace" in the "tree-lined streets" of Chelsea.

With names for the flats like "Sir Thomas More, Rossetti's Room, George Eliot, The Holbein, Whistler's Flat and Oscar Wilde's Ivory Tower" she can hardly fail to find customers.

Left out

In the best traditions of the stranger goings-on within the London Labour Party some of the Left-wingers on Camden council have just scored an own goal, thereby disclosing a remarkable lack of political footwork.

The central figure in the drama is Roy Shaw, a former leader of the council, a Labour man, and one of the few members of his party who commands the respect of all parties and officials for the understanding he has brought to bear upon the convoluted topic of local government finance.

Only a handful of councillors in all Britain are sufficiently conversant with the subject to be able to wrestle with the Environment department.

Shaw has been invaluable to the Labour Party for his special knowledge in this direction. He is currently vice-chairman of the Labour-controlled Association of Metropolitan Authorities.

The Left-wingers on Camden council were prominent in a series of mix-ups which resulted in Camden council leader Philip Turner being nominated for the AMA policy group instead of the much better equipped Shaw.

As the London boroughs had only three places on the key AMA committee within their gift and eight nominations, Turner was promptly dropped.

Thus Camden has no representative, and Shaw who was considered a racing certainty because of his special understanding of the subject, is out in the cold.

At national level, the Labour Party is reflecting on a system which robs it of one of its offensive weapons in the election run-up.

"Any more cheek and I'll send for a police marksman to chip you round the earhole"

Venice's gain

The vast collection of modern art amassed in Venice by the late Peggy Guggenheim, the American grand dame who made the city her home, re-opens tomorrow after a thorough spring clean.

A consortium of Italian and U.S. banks and the city council have put up more than $500,000 for the restoration of some of the 250 works which are housed in the splendid Palazzo Venier dei Leoni on the Grand Canal.

The palazzo has been converted to provide more space and Thomas Messer, director of the two Guggenheim museums in Venice and New York, says new funds will allow the foundation to keep the Venice exhibition open throughout the summer season.

Mrs Guggenheim started collecting modern art in the 1930s and benefited hugely from the buyer's market prevailing in Europe at the start of World War Two.

Returning to New York as the Germans approached Paris she went on to open a gallery in West 57th Street in 1942, writing later in her diary that on the opening night "I wore one of my Tanguy earrings and one made by Calder in order to show my impartiality between surrealist and abstract art."

She opened her collection in Venice in 1949 with an exhibition of sculpture in the palazzo garden. Although in recent years she was unable to keep up an earlier resolution "to buy a picture a day" she continued to enlarge the collection until she died aged 71.

Venice is likely to benefit at New York's expense now that the Palazzo Venier is open once again. Some of the Guggenheim art works on show in New York are expected to be moved for exhibition in Italy.

Second best

Did you hear about the American woman who had an inferiority complex?

Soon after the birth of her first son she told her husband, "Just think, Al. Some day this boy of ours may grow up to be vice-president.

Observer

POLITICS TODAY

Beyond the party caricatures

By Malcolm Rutherford

IN 1947 Penguin published a series of books on the cases for the various political parties. In The Conservative Case Lord Hailsham wrote: "Conservatives do not believe that political struggle is the most important thing in life. . . The simplest among them prefer fox-hunting—the wisest religion." an affectation from which the Tories have never entirely recovered.

The case for the Labour Party was presented by Mr Roy Jenkins, now the leader of the Social Democratic Party.

More than 35 years later the publishers, Longman, have done it again. Next Monday three new books will appear, The Tory Case, The Case for Labour and The Case for the Liberal Party and the Alliance.*

The respective authors are Mr Chris Patten, the Tory MP for Bath, Mr Austin Mitchell, the Labour MP for Grimsby, and Mr Alan Beith, the Liberal MP for Berwick-upon-Tweed.

A pretty rum bunch, you might say. Mr Patten, in particular, is hardly representative of the Tory Party today. He belongs unashamedly to the Macmillan, Hailsham, Sir Ian Gilmour tradition—the Tories who think and write—and these, in the main, are his heroes. Why, one wonders in passing, is the new Tory Right hardly ever invited to anything remotely controlled by the liberal establishment? Mrs Thatcher had to wait until she was Prime Minister before being invited to the Koenigswinter conference.

Mr Mitchell is an oddball, too. He is regarded by the Labour Left as belonging to the party's right-wing, though you would not entirely think so from reading his book.

Mr Beith puts the case for the Alliance as well as for the Liberal Party, of which he is chief whip, largely because three leading members of the Social Democrats, Dr David Owen, Mrs Shirley Williams and Mr William Rodgers, have quite recently published books of their own.

Yet in a way all three authors of the new series have something in common, and that is a profound understanding of the party to which they belong, coupled with an acknowledgement of the need to reach out for wider support if their party is to gain power.

Mr Patten, for example, quotes impeccable left-wing sources to support his argument that "the Conservative triumph has been to rebut the 20th century assumption that parties are essentially the expressions of class interest. If the Conservative Party had been an upper or middle class party, it would never have won an election."

Mr Mitchell describes the Labour Party as a "heterogeneous collection of the less well-off in coalition with intellectuals and an odd mixture of better-off men of conscience and sectional cause-pushers." But he also emphasises the need for it to widen its appeal and dilute its class message if it is to build a majority.

Mr Beith has no problems on this score. "The people who make up the Liberal Party," he writes accurately enough, "defy easy characterisation because they are not drawn predominantly from one social class, and do not espouse a class view of politics." The obstacle has been the electoral system.

There are major policy differences, of course. Two of them may now be crucial. One is British membership of the European Community and the other is defence.

As Labour's campaign document, The New Hope for Britain, confirmed last week, the party has probably passed beyond the point of fudging. Britain is either in the Common Market or out. Mr Michael Foot's Labour Party is now committed to withdrawal and Mr Mitchell is wholehearted in his consent.

On defence Mr Mitchell fudges slightly and is already being attacked by the Left for his pains. He is in favour, he says, of "collective defence" and even of trying a bit longer in the negotiations with the Russians on the deployment of Cruise missiles. But, he continues: "If these negotiations fail, or are clearly going to draw on forever, we should then renounce Cruise." It is hard to see that as anything other than unilateralism by other means. The disarming lobby, rather than the Atlantic Alliance lobby, in the Labour Party has won.

These policy differences matter not only because Europe and defence are important as issues in themselves, but also because they show Labour ranged up against the Tories and the Alliance. True, there are some disagreements—say over the successor to Polaris—but they are minor compared to what the Tories and the Alliance have in common and to where they differ from Labour. The Labour Party is against membership of the Common Market and takes a dubious position on the Atlantic Alliance. The Tories and the Alliance are pro-both.

Putting the case for their parties (left to right): Alan Beith (Lib), Chris Patten (C) and Austin Mitchell (Lab)

Besides that, the economic policy differences among the three authors are rather less than might be supposed, more an emphasis than of kind. Mr Patten comes out in favour of some sort of concerted action between government, unions and employees and the establishment of a standing commission on public sector pay. To Professor Meade's dictum that we should be happy to raise two hearty cheers for the price mechanism, he responds: "Leave out the heartiness and this seems about right."

Mr Mitchell goes out of his way to praise the mixed economy and even conducts—from his position—a bold defence of the multinationals. Economic salvation is largely seen through devaluation of sterling and he would like to see a Department of Expansion as well as a Prices, Incomes and Profits Commission. "The price of socialism," he writes, "is eternal growth." But, by and large, all that is recognisable language from the old, old mainstream of British politics and some of it can, and does, cross party lines. The Liberals are in favour of an incomes policy, too, and could adapt to either the left-wing Tory or the right-wing Labour side.

The underlying theme of all three books, however, is really about something else. It is the possibility that the two-party system, with which we have lived these past 40 years or so, may be breaking up. What happens under the first past the post electoral system if there really is a powerful third grouping?

Mr Patten quotes Lord Simon's rule: "Our parliamentary system will work as the responsible people in different parties accept the view that it is better that the other side should win than that the constitution should be broken."

Referring to the recent internal disputes in the Labour Party, Mr Mitchell puts the same thought this way: "We have made ourselves less attractive and weakened the mechanics of our only real weapon, the two-party system and the possibility of political alternation it holds out."

Mr Patten has no doubts about his own answer. "Electoral reform," he writes, "is the most important change that we can make that is compatible with the history of our institutions themselves and with our political philosophy."

Mr Mitchell is pretty frank, too. He thinks that Labour's commitment to democracy ought to make it the party of proportional representation, but acknowledges that that is unlikely. However, Labour must face up to the possibility of a hung Parliament when it might be asked by the Alliance to accept both PR and the Common Market as the price of a coalition.

The most that Labour could agree to, he says, is a referendum on electoral reform and acceptance of its verdict.

All these speculations should play into the hands of the Liberals and the Alliance, and it has to be said that Mr Beith's case is powerfully stated. The Liberals have been advancing by small steps for years. They have now been joined by the Social Democrats. They are the classless grouping at a time when class allegiances are breaking down more than ever. What is more, the Liberals have preached electoral reform over the ages. It has now become topical.

Yet something else, on which Mr Beith touches, is even more fundamental. It is the way the two big parties and their supporters tend to see each other as caricatures, even though they know from their experiences of their own party that the stock image is not always accurate.

Mr Beith discusses party canvassing tactics on the doorsteps. Tory canvassers, he says, tend to seek out owner-occupiers and Labour canvassers council-house estates. By contrast, "the Liberal seeks his support in all of these areas, and will find none barren: what he will often find, however, is that *the main motive of those who intend to vote Labour or Conservative is their fear of the other.*" (My italics).

That is the triumph of the caricature, the belief that the Tories are the party of the rich and Labour the party of the poor, whereas anyone who follows politics more closely knows that the differences between the parties are not always all that great. Politicians across the parties often have more in common with each other than they tend to admit.

At the end of reading these three books, one wonders how far even the authors—none of whom is remotely a party hack—are aware of this fact. Why do politicians cling to their chosen party for so long?

The unspoken theme of the books is political realignment, a process which may not be complete with the departure of some of the social democrats from the Labour Party. A hung Parliament, where it is not even clear who might be Prime Minister, might accelerate it. Certainly the possibility of a right-wing Tory Government or a left-wing Labour Government elected on a minority of the vote gives pause for thought.

The last word lies with Mr Patten in defence of his own position on the Tory Left. "There are 'wets' in all parties. And they have this, if nothing else, in common. The electorate usually seems to prefer them to their critics. The British voter is 'wet' too. To defend this moderate approach to politics is not to blind oneself to what has gone wrong in this country and to the need for resolution and consistency in order to put it right. But it does involve asserting that we should not turn our backs on our moderate political tradition, that we should not throw out the 'wets' with the bath water."

The trouble is that the "wets" are all over the place.

*Longman £2.95 each.

Lombard

France joins the paymasters

By Nicholas Colchester

IN JUNE 1981, Sir Geoffrey Howe, the British Chancellor of the Exchequer, made a speech in the Hague on that show-stopping theme—the need for a restructuring of the budget of the European Community. It was perhaps the subject which prevented this speech from getting much attention at the time. Yet even committed British Europeans, depressed by what seemed the quibbling attitude of their Government towards the Community, had to concede that this was the clearest and most constructive explanation of the British grievance over the budget ever produced by a British Minister.

Why recall that speech now? Almost two years will have passed by the time the EEC Commission presents its proposals on the restructuring of the budget to the European Council. The Commission's Green Paper in February laid out a variety of ways in which the EEC might be financed in the future, but it did little to suggest an appropriate choice. All the argument still lies ahead. The UK will in the meantime continue to insist on annual rebates while France, now digging itself out of the economic hole it dug itself into, might be expected to be less receptive than ever to these British demands.

Yet it is M Jacques Delors, the French Finance Minister, who now recalls Sir Geoffrey's words. He stresses the need for a long-term solution to the European budget problem—nothing novel in that as a French sentiment—but he also draws particular attention to this speech.

There were two prongs to Sir Geoffrey's argument. The first was the valid but well-worn assertion that spending on European agriculture accounts for too large a proportion of EEC expenditure and must be brought under control.

The second and shinier prong was his attack upon the "fortuitous" way in which the Community budget burdens or benefits individual member states. This emerges accidentally "from a multitude of separate, unco-ordinated decisions by the Commission and by the Community's specialist councils."

Sir Geoffrey said he was not asking for *juste retour*—you get out what you pay in—but for Community acceptance of a principle "comparable to that which underlies the fiscal arrangements between the component regions of national states—that resources should flow from the more prosperous to the less prosperous regions."

His conclusion was that the Community ought to take "conscious decisions" on how the budget would affect individual member states, rather than allow it to produce "perverse redistributive effects." These conscious decisions would need to be based on objective criteria such as relative prosperity.

What is there here for M Delors? He plainly has a good relationship with Sir Geoffrey and shares his cool and quiet logic, of which the 1981 speech was a fair example. But in the more decisive matter of national self-interest, there may be another reason why M Delors refers back to Sir Geoffrey's thesis. France is now a net contributor to the EEC budget, alongside the UK and West Germany.

This fact derives partly from France's contribution to the British rebate and partly from the relatively small *budgetary* benefit that France receives from Community agricultural and regional policies. The enlargement of the EEC to include Spain and Portugal will reinforce France's position as a net payer.

France may, in short, be becoming more interested in Sir Geoffrey's less fortuitous system of budget burdens and benefits. Senior British diplomats sense a change in attitude in Paris where concepts such as *écrêtement des soldes* (a flattening out of balances) are now being juggled with.

Anything which weakens this depressing source of Anglo-French and EEC tension is excellent news. But one must wonder what the search for budget equity will yield. In terms of the "objective criterion" of GDP per capita France is one of the richest major members of the Community—25 per cent richer than the UK. It could therefore expect to be designated, along with West Germany, as one of the paymasters of a more equitable Europe.

Letters to the Editor

The banning of strikes in essential services

From Mr L. Bloch

Sir,—I refer to your Labour Correspondent's report (April 5) on the private pledge given by the Employment Secretary to senior Conservative officials not to withdraw the right to strike from workers in essential services.

As the co-author of one of the documents to which Mr Philip Bassett refers, may I offer a few comments on the claim that the banning of strikes in essential services is "a practice impossible in part because it cannot be effectively policed."

If the difficulties of enforcement become the paramount consideration in the legislative process, the rule of law is at an end. This is why it remains the function of the police to implement the law, even when the effort of doing so can be rather onerous, just as it is the duty of judges to punish wrongdoers regardless of whether their sentences are popular with every section of the population.

No civilised society can survive unless it is prepared to stand up to a major challenge. In theory, if a great many people break the law, circumstances could arise where a country could only survive if those who choose to defy it are confronted with the full rigour of the law.

In practice, such a situation is not likely to arise in a politically mature country like Britain. We have a long tradition of respect for the law. Most trade unionists are decent responsible people who would not be associated with quasi-revolutionary situations. The bogey of "thousands" being sent to jail borders on the fantastic. The police have always been very selective in carrying out arrests when faced with large-scale disturbances. Hundreds may riot at a football match but only a few dozen get arrested. First offenders usually get away with a fine and a warning. The power to send people to jail is, and will always be, held in reserve for the few really serious offenders.

Finally, a word about those 1942 Kentish Coalminers whose strike is still haunting Mr Tebbit. When the authorities decided to show forebearance at the time, they had to take into account the fact that Britain was at the most critical stage of the war and could ill afford a major confrontation. National unity was essential. Such considerations do not apply today when the paramount question is the welfare of the community as a whole.

Lionel Bloch,
9, Wimpole Street, W1.

Civil service pay negotiations

From Mr R. Earwicker

Sir, — Sir Frank Cooper is right (March 28) to assert that the Treasury is "out of touch with reality."

Nowhere is this more evident than in the current negotiations on non-industrial civil service pay for 1983, which are a sham. The due settlement date has now been reached without a formal offer even being made to the council of Civil Service Unions, which submitted its claim last October.

The informal "without prejudice" offer of 2½-3½ per cent made earlier in March reflects the contemptuous and uncompromising attitude of the Treasury on most industrial relations matters at present. Its unscrupulous exploitation of the current labour market to justify pay increases way below the rate of inflation takes no account of the need to motivate and retain its existing employees on any lasting basis. Neither does it take into account the long-term damage which is being done to what was once regarded as the best example of effective public administration. Once employment opportunities improve, many civil servants will no longer regard a career in the civil service as a viable option. Already it is quite apparent that many staff, once qualified in professional skills are not prepared to accept rates of pay associated with their grade. Moreover, departments are now finding it impossible to attract any expertise into the service at almost every level.

If the Government is really serious about the need to promote an efficient and cost-effective service, it would do well to review its own industrial relations policies. Instead of offering derisory pay increases and divisive local incentive schemes, which will only prove counter-productive in the long run, it should treat its only asset, its staff, with a little more regard. Civil servants do not seek preferential treatment, but they do expect, in return for a lifetime of service, to be treated fairly. Present Treasury attitudes will only harbour further discontent and disenchantment and, if allowed to continue, will inevitably reap a bitter harvest.

R. W. Earwicker.
Industry and Trade Section,
Society of Civil and Public Servants,
Ashdown House Branch.
Room 326, Ashdown House,
123, Victoria Street, SW1.

Abolish VAT zero-rating

From Mr H. Scholes.

Sir,—The Labour Party campaign document proposes to extend zero-rating under VAT with different rates for essentials and non-essentials. This would be a thoroughly retrograde step.

VAT zero-rating has caused intractable administrative problems, for example over the distinction between building alterations and repairs, and economic distortions, as in food and confectionery, where the borderline between taxable and zero-rated products is inevitably arbitrary.

The Labour Party proposals would make matters worse, creating new uncertainties and eroding the tax base. On the other hand if zero-rating were abolished the standard rate could be reduced to perhaps *10 per cent without loss of* revenue.

Of course VAT is a regressive tax but the remedy is not to fix differential rates, which benefit rich as well as poor. Instead we should look at the tax system as a whole and give compensating relief selectively where it is needed through income tax allowances and social security benefits.

Hubert Scholes.
5a, Lancaster Avenue,
Farnham, Surrey.

The black economy and tax

From Mr P. Kinnear

Sir,—One reason for the growth in the black economy is that the employment of labour by the individual tax payer is not tax deductible. If the individual tax payer could claim tax relief at standard rate for receipted payments to part-time or casual labour, then one major lophole would be closed. Obviously the receipted payment would have to be in such a form, to enable Inland Revenue to identify the recipient and establish any tax liability.

Currently there is no financial incentive for the payer to record such payments, or to help Inland Revenue to trace the payee. Hence the growing practice of payment in cash and widespread tax evasion by the "self-employed."

Peter Kinnear.
Yew Tree Cottage,
Withington, Shrewsbury,
Shropshire.

Complexities of equal pay

From Mr R. Chater

Sir,—Ian Hargreave's equal pay article (March 30) certainly *underlines the difficulties that* exist in this complex and highly sensitive field.

I am aware how misleading quantitative approaches to such subjects can be. Phenomena like "training" and "work experience" are not only notoriously *difficult to scale in any objective* way, but also allow all kinds of inbred assumptions to creep into the researcher's measurement methodologies. The explanation of inequality is, furthermore, subject to a logical circularity. In this case, women get less valuable work experience because of the discrimination which exists against them as well as because of other social factors such as child-bearing. There are fewer women with higher level qualifications—particularly in vocational subjects—because the personal investment required currently pays *off less for them than for men.* Those that reach the top may earn only a little less than men in equivalent jobs, but how do you place a measure on the fact that many women slip into marriage and consequent economic inactivity and therefore out of unemployment statistics?

Evidence from the Department of Employment's new earnings survey is very revealing in respect to the differing discriminatory practices which exist in various employment areas. Hourly rates—adjusted for overtime effects—indicate that, for instance, women in the police service below the rank of sergeant earn just 88 per cent of the male rate, whereas in the stronger female domain of catering female supervisors only earn 80 per cent of the male rate. At the least skilled levels, however, where work experience and qualifications have little or no significance female "repetitive assemblers" earn 76 per cent of the equivalent male rate and women working as "press and stamping machine operators" earn as little as 67 per cent of that earned by their male counterparts.

In the light of the weight of evidence from the new earnings survey and other more precise private sources available I can see little tangible support for the view that the real female/male divide is as small as the London School of Economics study appears to suggest.

Robin E. J. Chater,
Ham Cottage,
Ickleton Road,
Wantage, Oxon.

For form's sake

From Mrs P. Marchant.

Sir,—Is there some reason why insurance companies are incapable of answering preliminary enquiries without having *to have a form filled* in? I refer in particular to car insurance.

Some years ago I gave up my own car as, having the use of my husband's, I felt it was an unnecessary expense. I work for an association of disabled people and now think that my own transport would be helpful so, wishing to get some idea of current costs, I wrote to a company connected with a motoring organisation giving brief details of myself and briefly explaining my requirements. It sent me a form with *a standard covering note*—the note I returned asking for a reply to my letter. A short letter came back asking me to fill up the form! I complained to the motoring organisation and finally received a not very satisfactory reply which did, at least, give me some of the *information asked for.*

On the strength of this brilliant effort I decided to try a firm which specialises in car insurance for the over-50s, wrote a similar letter and, guess what, had a form with a covering letter which began "Dear Mr. . . ." This in spite of the *fact that I had* referred to my husband's car! The letter goes on to say that I had not given sufficient information regarding "the level of no claims bonus . . . nor the details of your (my) car." But I had said in my original enquiry that I only wanted "some idea" to enable *me to assess possible costs as* I was considering buying a car. I await the promised contact from the local office to discuss this matter with considerable interest.

I am inclined to feel at this stage that, should I ever get round to purchasing a car (new incidentally, and one of the smallest on the market), my insurance will be paid to the first company which takes the trouble to reply to my first letter in a proper manner. Surely, given basic details such as age, state of health, type of car and if one has a clean licence it is possible for someone to give at least an idea of the maximum premium likely? I did not ask for a firm quotation as I am perfectly capable of working out what I think probable costs will be.

Mrs P. M. Marchant,
73 Pound Road,
Banstead, Surrey.

FINANCIAL TIMES

Friday April 8 1983

William Chislett looks at a decisive step to ease the foreign debt problem

Breathing space for Mexican companies

MEXICO'S scheme to help private companies reschedule about $15bn of mainly short-term loans to their bank creditors abroad is a decisive step towards easing the country's nightmarish foreign debt problem.

Mexico's bankers are not entirely happy about the scheme under which companies can buy dollars *for future delivery at favourable rates*, providing they manage to reschedule their debts over a minimum six-year period.

The scheme, however, provides a vital breathing space for companies. Many private companies are being driven to the wall by the massive extra costs in peso terms of servicing their debts caused by the 82 per cent devaluation of the currency over the past year. Many have made no repayments of principal in the past eight months.

The rescheduling also means that the Government, battling with an acute liquidity crisis, is under less immediate pressure to supply dollars to the private sector for settling debt. It will also now be able to claim the second $1.1bn tranche of its $5bn commercial loan, contingent on Wednesday's agreement.

The dramatic plight of the private sector, which accounts for about 40 per cent of Mexico's estimated $144bn gross domestic product, was underscored by a recent report from the Mexican brokerage house Estrategia Bursatil.

The report stated that at the end of last September the 102 most actively traded companies on the Mexican stock exchange owed their foreign banks an average 1.03 times more than their net worth. The situation has since deteriorated.

The basic principle underpinning the scheme, to the great relief of bankers, is that the Bank of Mexico will continue to make dollars available at the controlled rate (now 109 pesos to the dollar) to keep up private sector interest payments which are estimated at $2bn this year. The rate on the free market is almost 150 pesos to the dollar.

The question of interest payments is crucial for U.S. banks, in particular, because if payments are badly in arrears banks are required to start to write off or at least reclassify the loans.

Mexico's interest payment arrears on private sector debt had already reached about $900m for the period August 1982 to January 31 1983 and a formula satisfactory to the U.S. regulatory authorities had to be worked out earlier in the year to avoid reclassification.

To repay principal companies will be able to use their own pesos or those borrowed at less than the current market rate to buy dollars at fixed monthly rates from a special government trust fund.

These dollars will be used to repay the principal after a rescheduling agreement has been worked out, but not before 1986.

The nationalised banking system will make loans available to companies to buy the dollars to repay principal at the rate of interest given to depositors, not at its higher lending rate which takes into account profit margins.

The rates at which companies can buy dollars for principal repayment will be lower than the controlled rate and will become more favourable the longer the period of rescheduling.

For example, the starting rate for the minimum six-year rescheduling period is 84 pesos to the dollar while the cost for an eight-year period, including four years grace, is 75 pesos.

The central bank claims that these are not subsidised rates since the pesos will be invested in government securities and, with interest added, will match the prevailing exchange rate by the time repayments of principal are made. Nevertheless, they represent considerable immediate relief for companies.

Companies can also eliminate their exchange rate risk on interest payments by buying dollars for principal repayments at the higher controlled rate and then lending those dollars in a paper transaction to the trust fund over eight years.

Under this option, the fund will pay the creditor bank interest based on the three month London Eurodollar rate (Libor), *plus a reported* margin of 2 per cent and assume any exchange rate loss.

Companies will have to weigh up the advantages of spending more pesos against the benefit of protection from exchange rate fluctuations.

Banks are not happy with this option because they want a higher spread than the 2 per cent offered, which is in line with the terms of the public sector rescheduling.

Some banks said they would try to obtain a higher margin from companies when they drew up the complicated *legal* contracts on each re-schedulung.

Sr Angel Gurria, Mexico's director of public credit, warned, however, that if the banks were too greedy they *might* "*kill the golden* goose."

PETROL GOES UP BY 20%

Mexico yesterday increased the price of its petrol by 20 per cent to compensate for declining export revenues caused by the drop in world oil prices. The price doubled last December when the Government of President Miguel de la Madrid took office. The petrol price rise followed a 22 per cent increase in milk prices, a move which has been denounced by labour leaders.

Russians 'could lead world gold producers'

By David Buchan in Brussels

THE SOVIET UNION could overtake South Africa as the world's largest gold producer by the next decade, and increased earnings *from its gold sales could offset half* the projected decrease in Soviet hard currency revenue from energy by 1990.

This forecast was made yesterday by Prof Michael Kaser, of St Antony's College, Oxford, to a Nato conference on the Soviet bloc economy.

Of the two countries which still account for four fifths of the world's newly mined gold, South Africa has sunk from 1,000 tonnes in 1970 to 658 tonnes in 1981, while Soviet gold production has risen from 264 tonnes in 1970 to 346 tonnes in 1981, and Prof Kaser believes it could reach 460 tonnes by 1990.

The forecast, the only one of its kind in the absence of a forward estimate by the Central Intelligence Agency, is based on new resources now on the point of exploitation in Uzbekistan and Armenia.

In the former there are shallow "low-grade ores cheaply available by open cast mining," according to Prof Kaser, *while in Armenia the* Zod deposits are high grade and partly obtainable by strip mining.

In addition, gold production elsewhere in the Soviet Union could benefit from manpower "skilled and experienced in cold-climate operations" that will become available once the BAM railway and the Urengoi gas pipeline are completed in the mid-1980s, Prof Kaser believes.

The fall in oil prices according to several estimates, is likely to lead to a drop in Soviet hard currency earnings from energy to $10bn-$12bn a year by 1990, down from $17bn in 1980.

If so, gold could make up half the loss, possibly earning $6bn in hard currency – assuming a $500-an-ounce price – as against $2.7bn in 1981. In contrast to the steady South African gold sales policy, Moscow has previously been erratic in putting its yellow metal on Western markets.

Prof Kaser, however, detects a closer correlation *in recent times* between increased Soviet gold sales and years in which the Soviet Union has run a wider visible trade deficit, even when the gold price has been relatively low.

In this sense, gold has become a steadier, more normal Soviet export, especially in times of hard currency shortfall.

Gold, Page 33

Credit Lyonnais suffers 34% profits fall as provisions treble

BY DAVID MARSH IN PARIS

CREDIT LYONNAIS, the second largest French nationalised bank, yesterday announced a 34 per cent fall in net 1982 profits to FFr 311m, above all due to a three-fold increase in provisions on loans to "problem" countries, which leapt to FFr 1.48bn.

The profits slump came in spite of a big improvement in the bank's operating result in France and abroad. This allowed Credit Lyonnais to follow a more realistic provisions policy than in the past and also to show prudence in the face of the world economic crisis, M Jean Deflassieux, the chairman, said yesterday.

The profits declaration was the first for the 1982 year by France's big nationalised banks. The pattern of sharply higher provisions on foreign loans – M Deflassieux mentioned Brazil, Mexico, Argentina, Poland and Nigeria as the chief problems – seems likely to be followed by the other banks.

M Deflassieux stressed, however, that Credit Lyonnais was a special case as it needed to catch up with an insufficient level of provisions in the past.

Mainly because of poorer earnings performances, the bank was under-provisioned to the tune of about FFr 3bn compared with Banque Nationale de Paris and Société Générale.

The results show that the Socialist Government is allowing the state-owned banks to follow reasonable policies in making provisions, he said.

Operating results before provisions and depreciation of the bank and its foreign branches – not including foreign subsidiaries – rose 39.7 per cent last year to FFr 4.81bn. This was mainly because of better profits domestically, in spite of the fall in French interest rates.

Overall provisions rose 84 per cent, however, to FFr 3.77bn. The difference was marked between provisions against doubtful debts to clients and on "diverse risks," which increased by a relatively modest 20 per cent, and those on loans to heavily-indebted countries, which rose 192 per cent.

M Deflassieux said only 15 per cent of the bank's foreign loans portfolio was with problem nations in Latin America and Eastern Europe. He admitted that a part of international bank lending to these countries would never be recovered.

The bank's balance sheet during the year – 57 per cent of which is in foreign currency – rose 21 per cent to FFr 590bn.

Pointing to the fall in credit ratings of New York banks with heavy *foreign exposure, M Deflassieux* said French banks faced much smaller risks lending to nationalised industries at home than to foreign countries.

He pointed out that the banks were under-capitalised internationally and needed higher provisions than their foreign counterparts.

Underlining the costs of banking in France, he said penalties and total costs of the system of credit ceiling limits added up to FFr 200m last year.

U.S. seeks to block loan for Hungary

By Anatole Kaletsky in Washington

THE REAGAN Administration is trying to force the World Bank to impose more rigidly the income standards which govern developing countries' eligibility for World Bank loans, in an attempt to block $239m of loans to Hungary, which the bank's board is expected to approve this summer.

If the U.S. manages to stop the Hungarian loans, for grain storage facilities and industrial energy conservation, World Bank' lending to other countries with per capita national incomes near the theoretical cut-off point of $2,650 (in 1980 prices) could also be threatened. Two countries which would almost certainly be affected are Yugoslavia and Uruguay.

The U.S. argument, which is almost certainly motivated in part by the Administration's embarrassment about World Bank lending to communist countries at a time when it is asking Congress to approve U.S. contributions to both the bank and the International Monetary Fund, is that Hungary's national income per capita is substantially higher than the $2,100 calculated by World Bank and IMF statisticians.

The issue arises in part because the Hungarian Government's own data, presented in World Bank statistics before Hungary joined the bank last July shows an income per *head of $4,180.*

The difference between the two figures is due mainly to the exchange rates used and to the fact that communist countries use a definition of net material product which excludes services and differs significantly from gross national product. The World Bank states that the new statistics which the Hungarian Government produces "in a very *professional manner in* accordance with United Nations standards" are the relevant ones to use.

The U.S. is not likely to argue seriously that the Hungarian gross national product (GNP) per head is as high as $4,180, but simply that it is above $2,650. World Bank officials say that the dispute will therefore reopen the question of whether the bank should abruptly cut countries off from its loans as soon as they cross an arbitrary income threshold, or whether they should be "graduated" slowly. The bank believes strongly that in the current *international debt crisis it should* adopt a more lenient approach to graduation and the U.S. appeared to have acquiesced to this position

World Bank move on aid, Page 8

Europeans seek joint strategy

By Paul Betts in Paris

A GROUP of 17 of Europe's leading businessmen is teaming up in a most unusual combination. Their aim is to develop jointly ways to create a solid common industrial base in Western Europe which would enable them to compete against U.S. and Japanese enterprises.

The businessmen, a veritable "who's who" of European industrial heavyweights, include the head of *Shell Transport, Olivetti, Philips,* Nestlé, ICI, Volvo, Unilever, Renault, not to mention Fiat, Bosch, St Gobain, Thyssen and Ciba-Geigy.

Yesterday they completed their first meeting in Paris with plans to set up an informal club to discuss industrial cooperation.

"Never before has such a group been assembled," Mr Pehr Gyllenhammar, chief executive of Volvo, said yesterday.

Although the businessmen did not discuss any specific cooperation ventures, the meeting set the basis for future discussions on developing a joint industrial strategy for European *enterprises.*

Mr Gyllenhammar said the businessmen agreed that there was urgent need to upgrade Europe's infrastructures, roads and communications.

Indonesia chemicals complex to go ahead

BY CARLA RAPOPORT IN LONDON

A CONSORTIUM of private Indonesian businessmen is expected to go ahead with plans to build a $600m chemicals complex in Northern Sumatra

News of this private project comes as plans for two government-backed petrochemical plants for Sumatra, announced by Jakarta just a year ago, appear to be running out of steam. They have been slowed by the balance of payments difficulties Indonesia is experiencing as a result of falling oil prices.

Sim-Chem, a division of Simon Engineering of the UK, is expected to win the main contract for the plant. The company said yesterday that a letter of intent had been signed with Subentra, the private Indonesian consortium, and that full agreement was expected shortly.

Mr Jim Smith, managing director of Sim-Chem, said yesterday that the Subentra deal was "the biggest contract anyone has seen in the process plant business in recent times."

Construction of the plant is expected to begin later this year at *Lhok* Seumawe on the northern coast of Sumatra, Indonesia. The complex, which is scheduled to start production in 1986, will have the capacity to produce annually 155,000 tonnes of chlorine, 240,000 tonnes of vinyl chloride monomer – an intermediate in the production of polyvinyl chloride – and 72,000 tonnes of polyvinyl chloride (PVC), a versatile plastic largely used by the construction industry.

Subentra, intends to licence the technology for the complex from Imperial Chemical Industries, Britain's largest chemical company. ICI said yesterday that it would also be responsible for the supply of technical, manufacturing, marketing and business management expertise to assist Subentra in establishing *its* business.

ICI confirmed yesterday that negotiations for the project were "well advanced," adding that its management agreement would include arranging for raw material supply and product purchasing.

Just a year ago the Indonesian Government announced plans for two petrochemical plants, a $1.5bn olefins complex in Arun in North Sumatra, and a $1.6bn aromatics complex in South Sumatra. These projects have been undertaken as joint ventures between the Govern*ment and U.S., European and Japa*nese companies. It is now thought that their progress may be slowed by balance of payments difficulties resulting from the declining oil prices.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	59	Dubrovnik	S	15	59	Malaga	S	22	72	Salzburg	F	9	48
Akrotiri	R	14	57	Faro	S	18	64	Malta	S	21	70	Seoul	S	21	70
Algiers	S	21	70	Florence	F	20	68	Manila	S	36	97	Singapore	F	32	90
Amsterdam	F	8	46	Frankfurt	F	8	46	Miami	C	24	75	Stockholm	C	5	41
Athens	F	19	66	Funchal	C	18	64	Milan	S	17	63	Strasbourg	F	11	52
Bahrain	S	28	82	Geneva	R	11	52	Moscow	C	8	46	Sydney	S	19	66
Bangkok	S	36	97	Gibraltar	S	19	66	Munich	F	9	48	Taipei	C	24	75
Barcelona	S	17	63	Guernsey	F	9	48	Nairobi	F	27	81	Tangier	S	18	64
Beirut	F	19	66	Helsinki	R	5	41	Naples	F	15	59	Tehran	–	–	–
Belgrade	F	18	64	H. Kong	R	24	75	New Delhi	S	30	86	Tel Aviv	S	22	72
Berlin	R	8	46	Innsbruck	F	10	50	New York	C	11	52	Tenerife	C	19	66
Biarritz	S	18	64	Inverness	S	7	45	Nice	S	21	70	Tokyo	F	18	64
Blackpool	S	8	46	Istanbul	S	15	59	Oporto	C	14	57	Toronto	R	5	41
Bordeaux	R	13	55	Jersey	F	19	66	Oslo	C	3	37	Tunis	S	21	70
Brussels	F	9	48	Jo'burg	F	21	70	Paris	F	11	52	Valencia	S	22	72
Budapest	R	11	52	Las Palmas	F	19	66	Prague	F	10	50	Venice	S	15	59
B. Aires	S	24	75	Lima	S	29	84	Reykjavik	S	1	34	Vienna	S	12	54
Cairo	S	22	72	Lisbon	C	16	61	Rio de J'o	R	27	81	Warsaw	F	11	52
Cape Town	S	28	82	Locarno	S	14	57	Rome	F	18	64	Zurich	R	8	46
Caracas	S	29	84	London	F	10	50								
Casablanca	S	19	66	Los Angeles	F	20	68								
Copenhagen	C	7	45	Luxembourg	C	6	43								
Corfu	S	17	63	Madrid	S	16	61								
Dublin	C	7	45	Majorca	S	18	64								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Brazil's trade surplus

Continued from Page 1

The promotion of semi-barter trade with former major markets, such as Mexico, Nigeria and Venezuela, all of which have suffered recently from their own liquidity crises, has been a main theme of Brazilian policy for months.

One obvious obstacle in the way of trade boosts with these particular countries is that higher oil imports from them would reduce the large savings Brazil hopes to make on its $9.6bn annual oil bill – savings regarded by the Government as perhaps its best way of achieving the desired trade goal.

Sr Ernane Galveas said on Tuesday that the March oil import payments were $292m down on the same month last year. In the first quarter, oil imports were 17 per cent down by value on the corresponding period.

Brazil is one of the biggest benefactors from the oil price war gathering pace between the major producers. It estimates that every $1 drop in the market price of oil represents a saving for the country's trade balance of $250m.

In March, Brazil's imports totalled $1.19bn, while exports recovered *strongly from their* lack-lustre performance in January and February to hit $1.71bn.

Shares soar as £ reverses

Continued from Page 1

this effect. Profit-taking in a thin market – itself inspired partly by fears of lower bank base rates – took three-quarters of a cent off sterling's exchange rate against the dollar. This closed in London at $1.5070. The pound also fell 1.75 pfg to DM 3.6425, but otherwise *held up well. Its effective* exchange rate, measured against a basket of currencies by the Bank of England's trade-weighted index, fell 0.3 to 80.6 (1975 = 100).

Gilt edged, as has become their habit, followed sterling.

THE LEX COLUMN

BAT scores a boundary

The old picture of BAT Industries – as a sleepy establishment giant uncomfortably exposed to a single mature industry – had been effectively discarded even before yesterday's remarkable preliminary statement. Like Unilever, BAT has worked hard to show that it is more than just a barometer of the western consumer's propensity to eat frozen food or smoke cigarettes.

The announcement of a 25 per cent rise in pre-tax profits for 1982 – to £856m – takes the rehabilitation a stage further and strengthens BAT's *defence* against a principal residual criticism: that it is a poor buyer and manager of non-tobacco businesses. The group has pulled its packaging interests through a recessionary year with little loss of trading profit, while the paper companies have increased their contribution by 60 per cent.

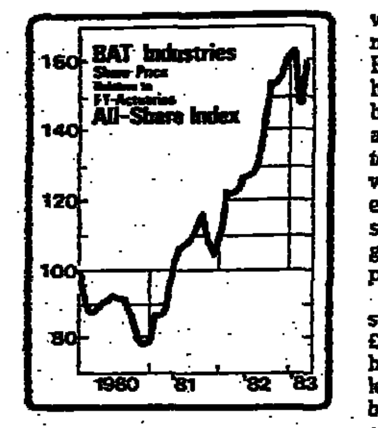
Even *the long-standing* thorn in BAT's side, International Stores, has at last managed a trading profit and its latest acquisition, Marshall *Field, has produced an £8m surplus* over funding and internal financing costs in the first eight months of consolidation – admittedly the stronger seasonal period.

This, of course, is much less than half the story. Tobacco still accounts for roughly three-quarters of trading profits and the group's performance remains heavily influenced by short-term currency movements, which last year were worth roughly £100m at the pre-tax line.

But it is the non-tobacco interests which may this year determine whether BAT can extend its recent rerating and adopt a more dynamic image. Even after yesterday's figures, which saw the shares rise precisely 16 per cent to 715p, the yield is a stodgy 5.6 per cent on a dividend covered almost three times by reported current cost earnings.

The West German operation is having to absorb substantial duty increases as well as an attack from cheap generic brands and the pricing structure in Brazil is too precarious to offer any guarantee of progress on the scale of last year. In the U.S., meanwhile, a doubling of Federal taxes will probably cut indus*try volume by around three per cent* and, with the low-tar Barclay now running out of steam, BAT cannot be sure even of maintaining its 13.4 per cent market share.

BAT has invested heavily, particularly in the U.S., to improve the productivity of its cigarette plants,



but this year it may be the other bits and pieces which make the running.

Grattan

The full-year results of Grattan make it abundantly clear why, industrial logic aside, the company *was so keen on a link* with Sears Holdings. After the successful shrinkage of a few years ago, the recent drive for growth has turned into an unmitigated disaster. After a £2½m increase in agency recruitment costs and £3m of exceptional stock write-downs, Grattan has collapsed from pre-tax profits of £5.2m to a loss of £1.1m in the year to January.

The situation would look grimmer still but for the decision to bundle £3.3m of start-up costs on the new direct mail catalogues below the line. But, in Grattan's case, cavilling about SSAP 6 is a fairly academic exercise. *The real worry* is how a balance sheet whose main assets are stock and trade debtors can comfortably support debt which totalled £25m at the end of January and has risen by a few million since. The shares, meanwhile, dropped 6p to 58p yesterday, a level which says more about Sears Holdings' supposed intentions than about Grattan.

Ladbroke

Ladbroke cut back on its property dealing sales last year in the light of the dull London market, so profits here have tumbled 43 per cent to £3.5m. Nevertheless, after the small first half downturn, pre-tax profits have recovered strongly, to end the year £4.4m higher at £38.2m.

The key to the second half recovery has been the betting chain, where the contribution for the six months may have risen by £6½m. Elsewhere, the boom in videos and home computers has helped to boost Lasky's contribution from an annual £1.1m to £2.4m. In 1983 hotels should take up the running, with a tariff rise now coming into effect, while delayed property deals should be consummated. So the group seems on target for £40m-plus pre-tax profit.

The 1982 interest charge, less leasing rental income, has jumped by £3m to £6.7m as the leasing book has been run off to finance the high level of capital expenditure. Ladbroke's *very own business cycle* completes its current round in 1984, when the casino cash ploughed into UK and U.S. property developments starts to return. Profits should then exceed the casino-related peak of £49.2m in 1979. For the cycle subsequent the cash seems likely to be directed towards U.S. property and UK cable. The shares rose 10p yesterday to 200p, *where the yield is 5.8 per cent.*

International Thomson

Sterling's weakness against the U.S. dollar in 1982 has accentuated each of the three major trends apparent in the International Thomson Organisation's results for the year. Most obviously, the record sterling value of North Sea oil has held energy profits at around their 1981 level despite lower dollar crude prices. Elsewhere the currency factor has disadvantaged an already beleaguered UK travel business and a £10m *downturn here* partly reflects the lack of windfall exchange gains worth £6m in 1981. The strong dollar, on the other hand, has added 15 per cent to the sterling value of U.S. sales and has underlined the £8m profits advance in the U.S. publishing subsidiaries. This advance has helped to bring group operations in the U.S. from a loss of £2.6m to a profit of around £9m, roughly balancing the travel losses and producing a virtually flat trading performance around £114m with oil and gas still accounting for about 20 per cent.

The slippage in pre-tax profits, from £108.3m to £106.5m, has appropriately enough flowed from higher borrowing to fund expansion in the U.S., and the group has spent £40m on another three U.S. publishing businesses while investing £12.4m to broaden its existing interests in this sector.

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SECTION II – INTERNATIONAL COMPANIES
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SNIA PLANS TO ABSORB SUBSIDIARY AND REAP BENEFITS OF GROWING DEFENCE MARKET

Italian fibres group with a new name for arms

BY JAMES BUXTON IN ROME

IT SEEMS a disturbing sign of the times that an Italian company with a worldwide reputation for making synthetic fibres is to change its name and its public image to reflect the fact that the single most important part of its business is now in military equipment.

"It's only right that our shareholders should be aware of the reality of our company today and enjoy the benefit of the fast growth of our defence and space equipment sector," says Sig Giorgio Mossi, chairman of Snia Viscosa, the Milan-based conglomerate.

If the shareholders agree at a meeting in June, the parent company Snia Viscosa will soon merge with its main defence subsidiary, BPD Difesia Spazio, and become Snia BPD.

Sig Rossi says: "Other Italian defence equipment makers, like Oto Melara (Italy's leading maker of artillery and tanks), are either state owned or private companies but we have nearly 20,000 shareholders.

"We couldn't keep a low profile about our defence activities even if we wanted to."

The Iran-Iraq war the Nato rearmament programme, the expansion of space activity, especially the U.S. space shuttle, and the continuing development of rockets of all kinds have come to the rescue of a company which has not paid a dividend since 1974 and which, after years of losses, roughly broke even last year for the second year running.

Snia's defence and space sector should this year achieve sales of about L600bn ($417m) making up about 40 per cent of expected group sales of about L1,600bn. In 1979 it accounted for only 15 per cent.

The sudden growth of the defence sector comes as a restructuring of the Snia organisation was starting to bear some fruit.

Things began to go badly for the company after 1974 mainly as a result of the chaotic over-expansion of the rest of the Italian chemical and fibre industries. Losses began to pile up.

In 1972 the Italian company, Montedison, had taken a stake in Snia, now amounting to nearly 16 per cent. It was later joined by Mediobanca, the leading Italian merchant bank, which has about 10 per cent.

Mediobanca helped create a grouping of private sector companies, called Consortium with the object of helping other private sector groups in trouble and preventing them from drifting into the state sector.

Consortium bought into Snia at the turn of the decade, participations of different sizes being taken by its individual members – Marzatto (textiles), Lucchini (steel), Orlando (metals), Pirelli (Cables and Tyres), Berlusconi (television), Mondadori (publishing) and, almost inevitably, Fiat.

That left about 60 per cent of Snia in the hands of small shareholders.

This assembly of leading Italian industrialists, old and new, helped devise a three-year recovery plan, with "equilibrium" planned for 1982.

It involved the sale of surplus assets – the group sold out of Brazil for more than L100bn last year and disposed of some property – and created a new management and ownership structure.

Almost all the productive activities of the group were in fibres, chemicals, farming and so on. They were disincorporated from the parent company and handed over to subsidiaries, which were allowed more management independence.

The payroll was reduced from 34,000 in 1977 to 25,000 today.

The Italian Snia organisation established a reputation for fibres but in recent years has made military equipment its main product. The company is changing its name to show that defence and space equipment is the major earner, expected to represent 40 per cent of sales this year.

The defence business boom coincides with a reorganisation of Snia, which is already benefiting, and the company seems likely to reduce the debts that have piled up in recent years.

The parent company, Snia Viscosa, retained direct control only of its engineering and minerals divisions.

Another element of the restructuring programme, the doubling of the parent company's capital from L125.8bn to L261.8bn, did not go ahead in 1981 as planned because prices on the Milan Stock Exchange collapsed before the new issue could be launched.

As a result Snia has suffered increasingly from what Sig Rossi, who is by profession a banker, calls "the perennial problem of Italian industry – undercapitalisation."

In 1981 the Snia parent company had revenue of only L29bn, against financial charges of L71bn. A marginal net profit of L1.36bn was achieved only through sales and transfers of assets and revaluation of shareholdings. Group sales last year were L1630bn.

In 1982 a higher gross operating margin overall than in 1981 was offset by higher financial charges to produce a result expected to be close to break-even.

The chemical fibres subsidiary, Snia Fibre, in 1981 had made a trading profit in advance of forecast but a net loss, and in a difficult 1982 did not make a net profit, according to Sig Giuseppe Bencini, Snia's managing director.

Fibres, which once accounted for half Snia's sales, will make up only a quarter this year, and in the desperately competitive European market it is accepted they will not be a big money-spinner again for a long time.

On the defence side, however, it is a different story. BPD (Bombrini-Parodi-Delfino) is a famous name in the Italian munitions industry, and Snia bought it in 1968.

Its sales have grown dramatically since 1981 when they amounted to L153bn. This year they are expected to reach L340bn.

BPD is Italy's major producer of shells and explosives, along with its subsidiaries in the same field, SIPE Nobel and Simmel.

Sig Rossi acknowledges that BPD has done well as a supplier of munitions to Iraq since its war with Iran began in September 1980, but Sig Bencini denies a recent magazine report that no less than 80 per cent of its explosives production goes to that country.

Rather, they say, BPD has markets all over the world, wherever fighting is going on or expected, and is also a big supplier to Nato countries, including the modestly equipped Italian armed forces.

The explosive business is acknowledged to be "preponderant" in BPD's turnover, but Snia prefers to stress its high technology involvement in the field of space.

BPD makes motors for space statellites and is one of only three makers of solid propellants for rockets in Europe. Its propellants are used in the U.S. space shuttle, as well as in many types of military rockets and missiles.

Myer Emporium in A$213m bid for Grace Brothers

BY LACHLAN DRUMMOND IN SYDNEY

THE MYER Emporium yesterday launched a cash and paper bid for Grace Brothers Holdings which it valued at A$3.65 a share, or A$213m (U.S.$184.7m) for the company.

The bid follows the purchase last month of an almost 20 per cent stake in the Sydney departmental store group by Myer for A$43m, or A$3.65 a share and compares with the A$4.50 a share of preferred stock offered by Bond Corporation Holdings for Grace.

By setting its minimum acceptance level at 50 per cent of the Grace capital Myer has thrown the pressure back onto Bond, with almost 20 per cent, and the Adelaide Steamship group, with a similar amount, as the Grace family and executives and those sympathetic to the Grace board could probably muster enough shares to push Myer beyond the controlling threshold.

Myer is offering A$2 a share in cash and either 14 per cent 10-year convertible notes of A$1.50 or 12.75 per cent three year preferred stock for Grace.

The cash component and readily tradeable securities seem designed to lure at least one or both of Adsteam and Bond, while offering an attractive enough package to other holders to ensure control and an eventual winkling out of Bond and Adsteam.

While the A$3.65 a share value placed on the package by Myer is considerably below the A$4.50 a share value placed by Bond on its offer, the low coupon and delayed payment on the three year bond paper bring the two closely in line and underline the forcing action of the Bond bid, which came a week after Myer bought out Singaporean Tan Sri Khoo Teck Puat at Grace.

The Myer offer, if successful, would see it lay out a further A$23m in cash, part of which would be covered by the sale of its New South Wales stores to Grace for A$63m in February and a property realisation programme yet to get fully underway, but which yielded A$47m last month. Grace also has a cash raising programme of property sales on the drawing board.

Myer has limited the convertible note option to a total of A$30m, or 20m notes, a move which will limit predatory intrusions into its own vulnerable share register.

The battle for Grace is less a public auction than a high stakes poker game in four groups (Myer, the Grace family and superannuation fund, Adsteam and Bond – each have now between 17 and 20 per cent) and four others – Westfield, a shopping centre developer, Woolworth, another retailer, FAI Insurances, and Hambros Bank, believed to be acting for Mr Rupert Murdoch's News Group – control around 17 per cent between them.

Of the latter Woolworth and Hambros are considered to side with the Grace board, Westfield is landlord to all contestants, and FAI has emerged in the past week as a cash buyer at up to A$4 a share in a so far unsuccessful attempt to gain a strategic position.

Nothing conclusive came from any party yesterday and with the Myer and Bond bids yet to reach the formal approved offer document stage, the last card has yet to be dealt.

Meanwhile both Grace and Myer reported sharply lower earnings for their latest half year to the end of January.

Net earnings at Myer were down by 54 per cent from A$25.5m to A$11.8m under the burden of interest charges which increased to A$37.8m from A$26m and difficult trading conditions. Sales rose 11 per cent to A$900m.

Grace Brothers' profits were down 35 per cent to A$7.95m on sales 2.6 per cent ahead at A$456m with economic conditions blamed for the reduction.

Banks to abandon Asian unit

By Margaret Hughes in London

THREE of the seven partners in European Banks' International Company (EBIC) are to pull out of the Brussels-based consortium bank's Asian offshoot, the European Asian Bank. Two of these same partners are also pulling out of EBIC's joint venture in the Arab world, the European Arab Banking Group.

The three banks pulling out of European Asian Bank are Britain's Midland Bank, Banca Commerciale Italiana and Société Générale of France. Their shareholdings in the banks, which were split evenly between the seven EBIC partners, will now be taken up by the remaining four. Deutsche Bank will have the largest stake of 60 per cent, Creditanstalt Bankverein 22 per cent and Société Générale de Banque and Amsterdam-Rotterdam Bank will each hold 9 per cent.

No figure has been put on the deal but it is estimated that the sales of their holdings in the Asian offshoot, whose current assets amount to the equivalent of some £1.75bn ($2.62bn), would be worth some £10m to each of the three banks.

Société Générale and Banca Commerciale Italiana are relinquishing their stakes in European Arab Banking Group which the EBIC partners, with four other international banks, owned as a 50/50 venture with Arab banks. Their shareholdings will be distributed among the remaining EBIC partners.

Flexi-Van seeks a 'white knight'

BY RICHARD LAMBERT IN NEW YORK

FLEXI-VAN corporation, a New York-based transportation leasing company with annual sales of around $200m, is seeking a "white knight" to help it escape from the clutches of Mr David Murdock, a west coast financier. Flexi-Van shares have risen sharply in the past few days in expectation of a proxy battle.

The group said yesterday that it had instructed its investment banker, Dean Witter Reynolds, "to seek out and initiate discussions with potential purchasers with the objective of securing the best possible price for all Flexi-Van shareholders."

Mr Murdock, whose interests control over 30 per cent of Flexi-Van's shares, was appointed chairman of the company last summer but was ousted from that position just over a week ago. The board said it took this action because of what it described as a "unilateral attempt" by Mr Murdock to gain control of the company by dictating the membership of the board.

Earlier this week it was disclosed that following his removal from the chair Mr Murdock had acquired a further big block of shares in the company, and was seeking to vote the shares attached to a large holding in Flexi-Van's convertible preference shares. If successful, such a move would enable Mr Murdock to vote around 40 per cent of the equity at the company's annual meeting, which is scheduled for May 5.

Both sides are already taking court action against each other on the question of Mr Murdock's voting powers.

Flexi-Van's net income last year amounted to $28.5m, $3.04 per share.

U.S. judge blocks Biscayne takeover

By Our New York Staff

A U.S. JUDGE yesterday temporarily blocked any takeover of the Biscayne Federal Savings and Loan Association, a Florida-based institution with assets of $1.97bn, which had been declared insolvent by the Federal Home Loan Bank Board on Wednesday.

The move came in response to strenuous objections by officials of Biscayne, who described the federal agency's action as "arbitrary and capricious."

The judge said he would hear the case later in the day.

Ranked in the top 50 savings and loans associations (S&Ls), Biscayne, which is being operated under the aegis of the Federal Savings and Loan Insurance Corporation, would be one of the largest failures of its type.

S & Ls take deposits from the public and make long-term loans on residential and other real estate.

The bank board has until April 14 to consider bids for the failed association.

Under arrangements announced by the bank board depositors and creditors of Biscayne would be fully protected, but its 1,500 stockholders could lose their investment. Kaufman and Broad, the housing and financial services group, owns just under 25 per cent of the shares, which it bought at the end of 1980 for $16.6m.

Kaufman wrote this investment down to zero in its last balance sheet.

Biscayne, which has 34 offices in Florida, suffered heavy losses in 1982.

At the end of the year its negative net worth is believed to have been about $22m, and the association has been talking to federal regulators for some months about a possible bail-out.

Pending the meeting on April 14 the association will operate under the title of the New Biscayne Federal Savings and Loan Association. The Federal Savings and Loan Insurance Corporation (FSLIC) has issued promissory notes to the new association in return for income and capital certificates, in order to assure its financial solvency.

The bank board said it had recommended that a new board of directors should negotiate a management contract with Home Federal Savings and Loan Association of San Diego until a merger was arranged.

Strong advance for GIB

By Mary Frings in Bahrain

GULF INTERNATIONAL Bank (GIB) yesterday announced a 1982 profit of $50.8m following the ordinary general assembly chaired by Mr Abdulla Hassan Saif, governor of the Bahrain Monetary Agency. This is a 46 per cent improvement on the $34.6m reported for 1981.

Unlike Arab Banking Corporation (ABC), whose 1982 profit and loss account shows $50m for loan portfolio support, GIB has made no specific provision for bad and doubtful loans beyond the normal reserve appropriations.

GIB, which was established almost five years earlier, has a smaller equity and asset base than ABC but its loan portfolio of $3.3bn is now bigger than ABC's $2.9bn.

Assets were up 38 per cent to $6.2bn and loans increased by 43 per cent. It has been decided to distribute a BD 1m ($2.652m) dividend to each of the seven shareholder states.

HK commodity exchange asks chairman to quit

BY ANDREW FISHER IN HONG KONG

HONG KONG'S commodity exchange has acted to preserve its image by calling for the resignation of chairman Mr Peter Scales, whose securities dealing licence was taken away last week.

Mr Scales, aged 50, has been chairman of the fast-growing exchange since it was set up more than five years ago.

The loss of his registration to deal and advise in securities had no connection with activities on the exchange. It was related to alleged misconduct in a brokerage firm called Wustock Brokers, owned by Mr Scales and his wife, Mrs May Wu Scales.

The registration was revoked in an order by Mr Robert Fell, the securities commissioner.

The exchange said in a statement the board "has agreed to take steps to send a written request to Mr Peter Scales asking that he resign as a director and chairman."

The statement did not elaborate on the decision, but the exchange is understood to have felt such a move was necessary to maintain its image, even though the licence revocation was a separate matter.

Mr Scales, a former deputy chairman of the Wheelock Marden property, shipping and trading group, would not say whether he had decided to resign but said he would make no moves before consulting his lawyers.

He added he had discussed a possible appeal against the revocation of his securities dealing registration with his legal advisers.

Mr Scales admitted "commercial misjudgment" in selling shares late last year in the transactions which caused the order, but said this was not itself grounds for Mr Fell's decision.

The securities commission said last week that Wustock passed client's securities to a third party without adequate safeguards.

Mr Fell also suspended Mrs Scales' registration until the end of this year.

The resignation request to Mr Scales comes as the exchange is seeking to enlarge its activities by moving into financial futures.

The Government and the securities commission are also reviewing the exchange's licence after the first five years and a revision of the initial ordinance is under way.

The request to Mr Scales is understood to have been agreed unanimously by the exchange's board, although with regret in view of his work in building up the activities.

Last year the exchange raised turnover by 81 per cent to more than 1.1m contracts, with operating profits estimated to have risen by a similar amount from HK$6m (U.S.$894,000) to about HK$11m.

Cycle and Carriage lifts profits by 45% at midway

SINGAPORE – Cycle and Carriage said its group pre-tax profit rose by 45 per cent to S$40.6m (U.S. $19.3m) in the half-year ended March 31, 1983, compared with the same period in 1981–82.

Group turnover rose by 14.6 per cent to S$138.1m. Turnover in Malaysia rose by 39.5 per cent to S$64.1m, while sales in Singapore fell by just under 1 per cent.

C and C said its Mercedes division in Singapore did well, despite lower fleet sales of commercial vehicles. The Mitsubishi divisions in both Singapore and Malaysia benefited from sales of new models.

Investment income was S$2.3m, more than S$1m of which was interest received on loans to Newman Industries. C and C has just sold most of its stake in that concern.

The company said its share of profits from associated companies rose by 90 per cent on a 38 per cent gain in turnover, and that new passenger car sales in both countries rose despite the recession.

C and C has declared an interim dividend of 12 cents, up from 10 cents in the first half of the previous fiscal year.

Meanwhile, Pan Malaysia Cement Works (PMC) said its subsidiary, PMCW Holdings, has paid a total of S$56.8 for a 10 per cent stake in Cycle and Carriage.

There have been rumours about a takeover of C and C by Malaysian United Industries, of which PMC is a subsidiary. The holding company said that as an investment company it would from time to time invest in the equity of companies. The 10m C and C shares were purchased through its internal cash resources, it said.

AP-DJ

Alusuisse sees return to black in 1984

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Swiss aluminium producer, will stay in the red this year but should return to profits in 1984.

This year had got off to a bad start because of the time lag needed for improved metal prices to work through to earnings, said Mr Emanuel Meyer, chief executive. However, the industry expected some improvement in the second half of 1983.

As a result this year's performance from Alusuisse would be "a shade better," and by 1984 the company should be back to profits.

Earlier this year, Alusuisse reported a net loss for 1982 of SwFr 179m ($87.3m) and said that it would not be able to pay a dividend. In 1981, a net loss of SwFr 52m resulted in a dividend halved to SwFr 12.50 a share.

The group deficit last year would have been much higher had it not been for the creation of a SwFr 700m reserve fund from the valuation of bauxite mining rights in Australia, where Alusuisse has a substantial interest in Gove Aluminium. Of the SwFr 700m revaluation, SwFr 300.2m was taken into the 1982 accounts as extraordinary income to set against part of the group's large-scale restructuring costs.

These costs arise from the difficulties experienced by the aluminium divisions, which last year accounted for 59 per cent of group turnover of SwFr 6.59bn. They include expenditure on the discontinuation of operations, accelerated write-offs, contract modifications and personnel settlements.

Further similar costs totalling SwFr 600-700m will be incurred over the coming five years, of which some SwFr 200m will have no direct effect on corporate accounts.

Alusuisse's losses originated in the aluminium sector last year. The chemical industry subsidiary, Lonza recorded a 3 per cent improvement in net profits to SwFr 14.5m and Maremonts the Chicago-based automotive equipment manufacturer a rise in pre-tax earnings of 26.6 per cent to $67.5m.

Over the past two years, the aluminium divisions have divested capacity.

Swedish Match sells subsidiary

BY JOHN DAVIES IN FRANKFURT

PERSTORP, the Swedish chemicals and laminates group, is pursuing its strategy of building up specialist operations abroad by taking over a West German subsidiary from Swedish Match.

It is buying Unidur, a maker of surfacing materials for furniture and kitchens, at Burstadt in Hessen.

Unidur is relatively small, with 140 employees producing sales revenue of DM 32m last year. Perstorp, however, sees it as a technologically advanced production base from which to increase its German revenue.

Perstorp earned only 5 per cent of its world sales revenue in West Germany last year, compared with 15 per cent in the UK and 20 per cent in the U.S.

Mr Karl-Erik Sahlberg, Perstorp chief executive, said yesterday that the takeover was in line with the company's conscious policy of finding and building a leading position in fairly narrow "niches" of international markets for high quality products in chemical and related fields.

Dutch textile group raises dividend

By Our Amsterdam Correspondent

NIJVERDAL-Ten Cate, the Dutch textile group, emerged from 1982 in better shape than had been forecast. Sales, which the company had expected to drop, rose slightly, from the 1981 total of Fl 448m to Fl 466m ($171m).

Net profit was up from Fl 5.3m to Fl 14.8m. In this case, however, the addition of Fl 8.6m from property sales and fire insurance accounted for all but Fl 900,000 of the increase.

Ten Cate, badly hit in the 1970s and by the slump in the European textile industry, has been restructuring in recent years and appears now to be in a better position to cope with foreign competition.

The management proposes that Fl 10.7m of the year's earnings total be transferred to reserves and is recommending a dividend of 8 per cent—2 per cent up on 1981.

Tax curbs growth at Pakhoed

BY WALTER ELLIS IN AMSTERDAM

PAKHOED, the Dutch transport and storage group, is offering shareholders an unchanged dividend per share of Fl 3.30 for the 1982 financial year based on profits up only marginally at Fl 33.2m ($12.2m). Interest charges fell sharply last year, but the effect on earnings was largely cancelled out by a steep rise in tax payments.

Despite the international recession, Pakhoed has performed well in recent years. In 1980, the gross trading result was Fl 88m. A year later, the total had risen to Fl 97m, and the 1982 result was Fl 105m.

The sharp fall in interest charges last year — from Fl 66m to Fl 50m—was brought about largely by a decrease in capital invested.

Tax on gross earnings last year came to Fl 17.3m, compared with only Fl 41,000 a year earlier, while extraordinary losses, mainly arising from exchange rate fluctuations and foreign participations and subsidiaries, doubled, to just over Fl 4m.

Pakhoed noted that Paktank, its oil storage division, did not contribute as much to group profits as in previous years, but said this was to be expected. Paktrans, the transport division, also saw a sharp fall in profits, and there was a decline in the contribution of Pakhoed U.S.A., the main American subsidiary.

Paktank Europa recently entered into a joint venture with the Singapore authorities, which it is hoped will prove profitable. Pakhoed itself is expected this month to announce the completion of its takeover of Pandair, the UK airfreight and forwarding subsidiary of P & O.

Valeo steps up payout

By Our Financial Staff

VALEO, THE French motor components group which recently estimated a major recovery in profits for 1982, is to increase its dividend for last year to FFr 13.20 a share from FFr 12 paid for 1981.

The car parts company staged a sharp turnround last year with net earnings estimated at FFr 60m ($8.3m) compared with a FFr 221m loss in 1981. Parent company earnings stood at FFr 15.4m last year, against a loss of FFr 109.6m in 1981.

Valeo said parent company revenue rose 12 per cent to FFr 2.5bn in 1982 with export sales up 17 per cent to FFr 695m.

Pick N Pay maintains strong growth

By Our Johannesburg Correspondent

PICK N PAY, the South African retail chain, maintained its record of strong growth in the year ending February 28 1983. Turnover rose by 26.8 per cent to R1.2bn ($1.1bn) from R974m while the year's operating profit before tax was 28 per cent higher at R45.2m against R35.2m previously.

Mr Raymond Ackerman, the chairman, said that the company's marketing strategies were mainly responsible for the trading improvement but that Pick N Pay was helped by the fact that the country's largest supermarket chain, Checkers, lost market share. Although the margin on sales was maintained at 3.66 per cent, it was affected by lower discretionary spending, which altered the hypermarket sales. The new superstores, however, tended to counteract this as their sales had a larger bias toward more expensive items.

The total dividend, has been increased to 61 cents a share from 49 cents, while earnings rose to 141 cents a share from 123 cents.

Exxon's Italian chemical offshoot makes recovery

BY OUR FINANCIAL STAFF

ESSO CHIMICA, the Italian chemical subsidiary of Exxon, of the U.S., reports a major recovery for 1982 and will distribute a dividend.

Net profits of nearly L2bn ($1.39m) compared with a loss of L1.7bn in 1981, which reached as high as L6.2bn following foreign exchange adjustments. Turnover rose 12.3 per cent to L310bn.

Details of the dividend and final amount of net profit were not immediately available given that the company's balance sheet was still being drafted to benefit from an upvaluation of assets.

● The four-year tranche of the Italian Treasury's L4,500bn offering of two- and four-year tax-free, variable-yield credit certificates has been fully subscribed, the Bank of Italy reports.

The Central Bank said the Treasury would widen the original L1,500bn offering of four-year notes in response to heavy demand. The two-year certificates are priced at 98.5. The four-year notes are priced at 98.

Subscriptions will continue until next Wednesday.

Danish shipyard in black

BY HILARY BARNES IN COPENHAGEN

BURMEISTER and Wain shipyard reports a 1982 profit of DKr 88m ($10.3m) after depreciation and allocations, compared with a DKr 150m loss in the previous 18-month period. The shipyard's parent company went bankrupt in 1980 and the yard's shares are currently pledged to the Government until the bankruptcy proceedings are completed.

The yard's sales last year totalled DKr 1,016m, of which DKr 984m arose from the sale of five panamax bulk carriers. The yard announced last month that it was slowing down the production schedule and laying off workers in order to stretch its order book through to the end of 1984.

Bekaert lifts net profit

By Our Financial Staff

BEKAERT, the Belgian wire rope maker, has increased profits for 1982 and plans to lift its dividend.

Net profits for last year rose steeply to BFr 496m ($10.4m) from the BFr 209m returned for 1981. The result follows a relatively modest increase in sales which improved from BFr 28.7bn to BFr 31.9bn for the year.

The dividend is going up to BFr 120 a share, against the BFr 85 which shareholders received in 1981.

Globus shows record earnings

BY OUR ZURICH CORRESPONDENT

GLOBUS, the Zurich-based retailer, is to pay dividends of SwFr 80 per share and SwFr 16 per participation certificates for the year ended February 28.

This is equal to the overall payout for 1981-82, which included 75-year jubilee bonuses of SwFr 10 and SwFr 2, respectively.

Consolidated profits rose by SwFr 1.6m in 1982-83 to a record SwFr 15.5m ($7.6m), on turnover up 4.1 per cent to a record SwFr 1.02bn ($497.6m).

● Ciba-Geigy, the Swiss chemical group, is to acquire Titmus Eurocon, the German manufacturer and distributor of contact lenses and lens-care material. The takeover for an undisclosed price, has been approved by the German Federal Cartel Office.

An agreement was signed between the two companies in 1980 to enter the U.S. market for contact lenses. The Swiss group has since been active in this market through Ciba Visioncare, its Atlanta-based subsidiary.

Ciba-Geigy aims to use Titmus Eurocon "as a basis for a worldwide expansion of the contact lens and lens-care product business."

UK COMPANY NEWS

BAT Industries expands by 25% to £856m

THERE has been a continuation of underlying growth at BAT Industries and, with currency changes improving the figures, pre-tax profits of this tobacco, retailing, paper, packaging and printing group expanded by 25 per cent from £684m to £856m for 1982.

Turnover grew by £2.34bn, or 24 per cent, to £11.51bn, and from earnings per 25p share of 124.9p (98.9p) the dividend is stepped up to 27.5p (23p) with a final distribution of 15p net. Also proposed is a three-for-one scrip issue.

Without the benefit of the decline in sterling, turnover and pre-tax profits would have increased by 13 per cent and 11 per cent respectively.

Mr P. Sheehy, who succeeded Sir Peter Macadam as chairman last October, says that once more the results show the strength of Bat's wide geographical coverage and industrial diversity.

At the interim stage, when profits were ahead from £269m to £336m, the directors forecast "real advance on last year." Mr Sheehy says that this "duly came about."

A divisional split of turnover and trading profits, £975m (£834m), shows: tobacco £5.67bn (£5.23bn) and £572m (£463m); retailing £3bn (£2.18bn) and £102m (£72m); paper £774m (£531m) and £75m (£47m); packaging and printing £537m (£492m) and £18m (£20m); other trading activities £631m (£440m) and £16m (£22m), which include group central costs.

A geographical analysis of the same figures shows: UK £2.19bn (£2.03bn) and £35m (£47m); Europe £2.37bn (£1.98bn) and £91m (£77m); North America £3.48bn (£2.54bn) and £368m (£283m); Latin America £2.3bn (£1.75bn) and £170m (£131m); Asia £731m (£566m) and £70m (£59m); Africa £370m (£355m) and £30m (£35m); Australasia £799m (£693m) and £4m (£3m).

The directors point out that group and operating group central costs and research and development expenditure are charged in the segments where incurred. Royalty income less related expenditure is included in the area in which the licensor is located.

In tobacco, which contributes 73 per cent (same) to trading profits, Brown & Williamson increased sales turnover in the U.S. market and achieved a significant rise in trading profit, reflecting higher cigarette prices and improved productivity and efficiencies. However, its overall domestic market share declined by 0.6 per cent.

Cigarette volume in the UK continued to be depressed so that, even though BAT (UK and Export) increased its market share, its sales decreased against 1981. Although turnover rose it was more than offset by higher expenses. Exports were only just below last year's very good level and profit increased slightly.

The impact on the year of a very large increase in tobacco tax was a 14 per cent decline in the total German cigarette market. BAT Cigaretten-Fabriken's established brands withstood the competition from imports better than the German industry as a whole and trading profit was down only marginally.

In Brazil, total market sales were depressed by consumer price increases, but Souza Cruz increased its market share slightly, turnover was up some 35 per cent in sterling terms and trading profit by 10 per cent.

Sales volume in the rest of the Latin America area was lower than last year, but turnover and trading profit showed a good improvement. In Venezuela, the company further improved market share, sales and profit.

In Asia, total profits improved and sales volume was maintained. Hong Kong had a difficult year but trading profit was up as margins improved. Singapore had excellent results, particularly in export markets.

Total sales in Africa were down mainly because of another difficult year in Nigeria but this reduction was to some extent compensated by improved results elsewhere.

Excluding the acquisition of Marshall Field and Co, BATUS retail division's turnover would have been down slightly and trading profit in dollar terms would have fallen by 38 per cent in what was a difficult year for the whole industry. However, with the addition of the 79 stores of the Marshall Field group there were increases of 38 per cent in turnover and 13 per cent in trading profit.

In the UK, International Stores returned to trading profit through rigorous cost control and improvements in productivity. It was decided to withdraw from the Mainstop superstores operation by disposing of the larger units while retaining those which could be merged profitably with the International supermarket business.

Argos gained sales volume through existing showrooms and increased its national coverage, opening a further nine units which gave a total of 124 showrooms at the year-end.

On the paper side, Appleton Papers' trading profit improved significantly in both dollar and sterling terms, reflecting improved selling prices, lower material and pulp costs, and the benefits of completion of a large capital spending programme.

Wiggins Teape's total sales in the UK and Europe were more than 15 per cent up in sterling terms on last year. The UK domestic market was still under severe pressure and sales volumes were down.

In packaging and printing market conditions in the UK and Europe remained generally weak with strong competition for packaging orders but there was a small gain in profit, arising from some volume growth and continuing productivity improvements.

Other trading activities as a whole show a decline in trading profit against last year which had included a special exchange gain; excluding this, results overall were up.

Mr Sheehy says that an example of the group's confidence in its future is the level of capital expenditure. Expenditure on fixed assets increased from £278m to £341m to give a total of £1.87bn (£1.39bn) at the year-end. Shareholders' funds at December 31 stood at £2.72bn (£2.22bn) and total funds employed were £6.44bn (£4.99bn).

Turnover of subsidiary British-American Tobacco Company rose from £3.31bn to £4.04bn and taxable profits went ahead to £404m, against £322m. Results of BAT Stores, which include International Stores, Mainstop and Argos Distributors show turnover of £1.02bn (£779.76m) and pre-tax profits of £8.98m (£3.22m loss)—last year's figures excluded Argos.

Turnover of the Wiggins Teape Group, paper and printing concern, expanded by just over £100m to £737.5m (£636.2m) while profits, before tax amounted to £17m, a jump of £9.8m on the previous year. Wiggins Teape (UK) losses, before tax, were reduced from £19.8m to £14.2m.

See Lex

HIGHLIGHTS

Lex today looks at the full-year figures from BAT Industries which lifted pre-tax profits from £684m to £856m, in large measure on the back of currency movements. But the group did show a worthwhile underlying profit growth in most of its main divisions. The column also looks at Grattan, the mail order company, which appears about to go bust after turning in a £1.1m pre-tax loss for the year, compared with £5.2m profit in the previous 12 months. The loss follows heavy write downs and agency recruitment costs, and the dividend is omitted. Also featured are the full-time figures from Ladbroke Group where pre-tax profits rose £3.4m to £36.2m mainly due to a strong rise on the betting side and the International Thomson Organisation where profits were slightly down at £168.5m.

£3.3m value on Bensons Crisps from USM placing

By Dominic Lawson

Bensons Crisps has arrived on the Unlisted Securities Market, via a placing of 720,000 shares of 10p each at 68p by stockbrokers Capel-Cure Myers. The placing represents 15 per cent of the capital, thus valuing the whole company at £3.26m.

The placing is being achieved by the sale of shares pro rata by directors and Finance for Industry. After the placing FFI will hold almost 11 per cent of the equity.

Bensons Crisps in its present form arose from one of the first management buy-outs, which was undertaken in 1980 by the three present directors, Mr Malcolm Jones, Mr Walter Bryant and Mr Michael Keen.

Mr Keen, Bensons' finance director, said yesterday: "The initial start-up finance was £60,000 raised with the help of FFI, and we also had a long-term loan of £31,000."

Pre-tax profits have grown from £100,000 for the year to November 1980 to £402,000 for the year to November 1982. At the placing price of 68p per share, the historic p/e is 17 on a full tax charge. But hitherto the company has not paid a tax charge other than ACT, and on that basis the historic multiple comes down to 8.9.

No profit forecast for the current year is made, although the company is confident of another satisfactory year's trading.

Benson's principal activity is the manufacture and distribution of potato crisps and savoury snacks, which last year accounted for 93 per cent of sales. Said Mr Keen "3 per cent of our turnover relates to our small animated electronic models business, and 4 per cent to our pizza business."

Benson has only an estimated 1 per cent of the national crisp market, but 8 per cent of that market in the North West of England. Mr Keen said that it was not Benson's aspiration to take more than 8 per cent of any regional market.

Bensons has a wide spread of customers covering cash and carry, the wholesale and licensed trades, schools, local authorities and sales direct to the retail market. No one customer accounts for more than 5 per cent of turnover.

Bensons has recently decided to lease a purpose built factory at Newport, Gwent, which will effectively double its crisp manufacturing capacity. It is the intention of the company to build on its north eastern foundations and establish further factories and distribution areas in the UK.

The company intends to pay a net dividend of 1p per share in April 1984. In a full year with a level of profit near to the year recently ended the company would expect to recommend dividends totalling 1.5p net per share. At the placing price, this would give a gross yield of 4 per cent.

Dealings should begin on the USM on April 14.

● comment

It is appropriate that the arrival of a crisp company on to the stock market should be effected exclusively by a cashing in of chips by all concerned. Not that there was a need to raise money. Bensons Crisps has proved itself a very efficient cash generator, and currently has £200,000 on deposit. In fact with only a three-year record in its present form Bensons could not have come to the market any earlier. An understandable desire to take advantage of the state of the equity market clearly outweighed thoughts of waiting until a profits forecast was feasible. With about 1 per cent of a market estimated at about £550m Bensons can nibble away contentedly at the giants of the industry without provoking an aggressive response, although the company claims that the market is already extremely competitive. The historic multiple at the placing price of 17 times fully taxed earnings rests partly on the bull market enthusiasms of the USM, although Bensons can point to a particular skill at avoiding a tax bill. The cautious investor might bear in mind that this is a company reliant on one product, and that based on a commodity. A potato Merrydown, no less.

Grattan slides into £1.1m deficit and omits final dividend

ALTHOUGH provision for the modernisation programme at Grattan has been halved in the year ended January 31 1983, it is sufficient to throw the company into a loss of £1.12m, compared with a profit of £5.22m in 1981-82.

The group has experienced an extremely difficult year. At the trading level the profit has been cut from £9.06m to £3.48m. And with interest charges soaring to £3.09m (£916,000), there is only £381,000 (£8.15m) available before allowing for the modernisation provision of nearly £1.5m (£2.93m).

At the year-end shareholders' funds had dropped by £5.65m to £47.57m. And they are not receiving a final dividend—the reduced interim of 1p, therefore, stands as the total for the year and goes against 4.116p in 1981-82. The directors explain the importance of concentrating reserves on the rebuilding of the business to ensure the long term future of shareholders' funds.

On the outlook Mr J. M. Pickard, the chairman, says present demand in traditional agency mail order shows little sign of improvement, and it is intended to take further steps to reduce costs in order to move into a profitable situation.

"We are determined to continue our aggressive modernisation and development programmes which have coincided with a period when sales have been sluggish and profit margins squeezed. In these difficult times we are also looking to the future and investing significantly in the direct mail order market," he tells members.

Mr Pickard explains that 1982-83 was a period when increased turnover was difficult to achieve and when the average price per item showed a significant reduction in comparison with the year before. An inflation gap, with costs rising faster than sustainable price increases, has reduced margins across much of the industry.

Other common factors resulting from the change in the market place have been higher stock write-downs, and the identification of a growing number of unprofitable agencies.

Contrary to general experience the credit control has proved effective, and Grattan's bad debt write-off is less than last year.

In addition, Grattan has entered the direct mail catalogue market and continued the rationalisation of sales offices.

Direct catalogue selling represents a diversification on a new customer base from the traditional agency credit business and the directors have therefore treated the start up costs on two new catalogues, as well as the cost reduction programme in sales offices, as extraordinary items. Of the £4.5m charged, £1.1m is provided for future expenditure.

Sales, including VAT, have increased by 4 per cent to £209m, but the rise in units sold totalled 10 per cent—illustrating the severe retail competition resulting in down-trading by the agents.

Mr Pickard says this also reflected the shortfall in anticipated sales in the second half, partly due to the market and partly caused by disruption in service during an industrial dispute last August.

After the dividend cost £445,000 (£1.82m), there is a £5.88m loss (£2.45m profit) taken to reserves. Loss per share is shown as 2.1p (profit 9.68p).

Grattan has developed its telephone ordering system and within the next month this will be available to all agents. The chairman stresses that this is an expensive installation. He does not anticipate, however, that this method of ordering will lead to higher bad debt.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div.	Total for year	Total last year
William Baird	8.75	July 5	7.35	14.35	12.95
BAT Inds	15	July 1	8.5	27.5	23§
British Vending Inds	0.35	July 1	Nil	0.7	Nil
Burgess ...int	0.5	—	0.5	—	3.5
Cookson Group	5.96	—	5.96	9.66	9.66
Croda Intntl	4	July 4	2.25	7	3.75
Dreamland	0.35	July 4	Nil	0.7	0.35
Druck Holdings‡ ...int	1.1	—	—	—	1
Erith	3.2	June 2	2.75	4.6	4
Ferry Pickering ...int	0.91	May 12	0.91	—	2.6
Finlay Packaging	1.75	June 30	1.75	2.25	2.25
Grattan	Nil	—	2.25	1	4.12
Greenbank Industrial	1.3	May 30	1	2.1	1.6
Ladbroke Group	4.3	—	3.83	8	7.43
Wm Morrison	1.15	—	1	1.6	1.4
Photo-Me Intl ...int	3.15	May 13	3.15	—	9.45
Reliable Properties ...int	1.25	May 6	1.25	—	2.5
Richards (Leics)	1	June 2	1	2	2
Stewart Wrightson	10.45	July 1	9.15	14.3	13
Francis Sumner	Nil	—	0.2	Nil	0.2
Sunbeam Wolsey	3	May 27	3	3	3
Trans-Oceanic Trust int	0.84	May 26	0.84	—	2.54
Unidare	5.5	May 6	3.8	7.5	5.5
Thomas Walker ...int	0.17	May 21	0.17	—	0.71

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § Includes second interim of 8p.

Headway made by Ferry Pickering

The Ferry Pickering Group, which is engaged in printing, packaging and publishing, has pushed up its pre-tax profit from £667,000 to £740,000 in the half year ended December 31 1982. The interim dividend is being held at 0.909p per share.

Turnover improved from £4.32m to £4.7m. After tax £384,000 (£357,000) and minorities £1,000 (same), the net attributable profit amounts to £355,000 (£329,000). Earnings are shown at 7.561p (7.009p) gross and at 3.632p (3.366p) net.

For the full year ended June 30 1982 profit before tax was £1.47m and the dividend total 2.6p.

In the current half year over £500,000 is to be spent on updating machinery and expanding existing activities.

Aurora

There is still a deficit in the revenue reserve at Aurora which thereby continues to preclude the company from paying dividends. Accordingly, the board is unable to approve the payment of dividends due on March 31, 1983 on the 3.85 per cent preference and 5 per cent redeemable preference shares.

Wm. Baird boosted by Dannimac

HELPED BY a full year's contribution from Dannimac 1982 pre-tax profits of William Baird, the Glasgow-based textile and engineering group, showed a significant increase over the previous year, rising from £5.69m to £8.8m.

It is pointed out, however, that the trading environment for textiles remained particularly difficult and that although the results are not comparable with those of 1981, inclusive of Dannimac, acquired in December 1981, they showed satisfactory progress.

The results for 1983 will be largely conditioned by the general economic climate. The directors say that if there is an uplift in consumer spending the textile companies are well placed to take advantage of it.

Some of the engineering activities stand to benefit from a recovery in investment both in the UK and overseas, although the major insulation activities are less immediately affected by current conditions.

The dividend for 1982 is being increased by 1.4p to 14.35p net per £1 share by an increased final of 8.75p.

Group turnover for the year expanded by £34.92m to £185.57m. Of this Baird Textiles, which takes in Dannimac, contributed £130.92m (£103.67m). Operating profits rose from £7.59m to £11.33m with Baird's take up from £4.05m to £7.59m and that of Darchem, the engineering side, slightly better at £2.53m (£2.35m). Investments added £1.21m (£1.2m).

Pre-tax profits were struck after deductions of £355,000 (£401,000) for administration costs and £2.18m (£1.5m) interest charges.

Tax took £2.24m (£1.41m) and after minority credits of £2,000 (£20,000 debits) profits at the attributable level emerged at £6.57m (£4.26m).

Stated earnings per share came through well ahead at 34.9p, against 25.8p for 1981 on the old capital. Net asset value per share amounted to 273p (257p).

The directors say that although the volume of clothing sales was relatively buoyant in the closing months of 1982 prices remained almost static and the squeeze on margins continued.

Dannimac maintained its position as the leading brand manufacturer of ladies outerwear. However, the sector shows little sign of any recovery in consumer demand and 1983 is likely to be a repeat of the previous year.

● comment

William Baird's profits growth in 1982 was slightly greater than what was attributable purely to the acquisition of Dannimac in December 1981 and the share price yesterday rose 20p to 274p. Dannimac in fact turned in a profit in excess of £3m and the management is now stressing the synergy to be expected this year from its successful marketing network and contacts. Now that the UK textiles division has moved downstream, a rising pound is needed to reduce the costs of its imports from the Far East, and to restore unit margins. In 1982 compensation was to be found in the higher volume of sales to Marks and Spencer and other High Street retailers. By contrast, the upsurge in Darchem's turnover was due primarily to the timing of invoicing for materials used in contract work rather than to an increase to value added. This explains the division's remarkable increase in output per employee—the average workforce was cut from 2,800 to 2,300, due to on-site reductions. This year Darchem has a heavy capital expenditure programme, including £3m for the production of equipment for the advanced gas-cooled reactors. But no major upturn is foreseen until 1984. Pre-tax profits this year of £10.5m would put Baird on a fully-taxed p/e of 9.9.

Stewart Wrightson £0.7m rise

AN INCREASE of £715,000 to £9.93m in pre-tax profit for 1982 is reported by Stewart Wrightson Holdings, the insurance, shipping and air broking group.

A final dividend of 10.45p raises the total from 13p to 14.3p net per share. Earnings are shown at 27.47p, compared with 24.27p the year before.

Tax takes £4.65m (£4.13m) and minorities £207,000 (£637,000), to leave the net attributable profit at £5.08m (£4.45m). On top of this is an extraordinary credit of £948,000 (£1.34m), principally being net unrealised exchange gains.

Included in the pre-tax profit is interest and investment income £10.75m (£8.59m), associated companies £515,000 (£409,000), and income from fixed assets £1.09m (£1.15m) mostly comprising profit rental from the group's long leasehold interest in Fountain House. Interest charged was £2.63m (£2.1m).

A split up of the pre-tax profit shows:—insurance broking £6.57m (£4.93m); insurance companies £2.77m (£2.98m); Lloyds underwriting agencies £668,000 (£467,000); ship and air broking £389,000 (£1.47m); Fountain House profit rental £1.06m (£1.13m); other interests £92,000 (£222,000); central costs £2.13m (£1.99m).

● comment

Most of the 35 per cent improvement in the profit from insurance broking at Stewart Wrightson came from currency factors, which contributed nearly three quarters of the overall advance. The remainder of the advance was made up by an improvement in the investment income item, disclosed for the first time, which showed a rise from £4.6m to £5.3m. In 1982 Stewart Wrightson did not have the benefit of Nasco Karaoglan group of companies as a subsidiary as it became an associate company in July 1981, and the last year only includes six months of the income from the group's operations in New Zealand following a reduction in the group's interests. So there is some distortion in the eventual pre-tax figure. And the group's ship broking and other activities continue to be a drag on overall performance. Interest charges also rose from acquisition financing. The share remained unchanged yesterday at 260p and are largely overshadowed by the performance of Sedgwick and Willis Faber, the two stockmarket favourites.

Berkeley rights

Berkeley and Hay Hill Investments says 53.25 per cent of the 7.25m new ordinary shares offered by rights on a one-for-three basis, have been taken up. The remaining shares will be taken up by the sub-underwriters.

Saatchi & Saatchi

A NEW management structure has been implemented by Saatchi & Saatchi for its main operating supsidiary Saatchi & Saatchi Compton Worldwide. The directors say that the merger of the Saatchi & Compton operations has been rapidly accepted by multinational advertisers and significant account gains have been made.

A new board has been appointed which includes top executives from the U.S. and Europe.

In the group worldwide three loss-making subsidiaries have been merged or sold, say the directors. Two others are expected to make a small profit following cost-saving measures, and they say this year's figures are beginning to reflect these improvements.

The directors view both this year's outcome and future prospects with "a great deal of optimism."

COMPANY NOTICE

Mr. J. G. Barker will retire as Senior Partner of Herbert Smith & Co. on 30th April. He will be succeeded by Mr. J. F. Goble.

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

1982-83 High	1982-83 Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	133	—	6.4	4.8	7.8	10.2
158	117	Ass. Brit. Ind. CULS	149	—	10.0	6.7	—	—
74	57	Airsprung Group	62	—	6.1	9.8	17.7	17.7
46	31	Armitage & Rhodes	31	—	4.3	13.9	3.5	6.1
314	197	Bardon Hill	314	+ 2	11.4	3.6	13.2	16.6
138	100	CCL 11pc Conv. Pref.	139	+ 1	15.7	11.3	—	—
270	210	Cindico Group	210	—	17.6	8.4	—	—
86	52	Deborah Services	52	—	6.0	11.5	3.4	9.3
94	77	Frank Horsell	94	—	—	—	7.8	8.4
92½	75½	Frank Horsell Pr Ord 87	92½	—	8.7	9.4	10.3	11.0
83	61	Frederick Parker	62	—	7.1	11.6	3.9	6.2
55	34	George Blair	34	—	—	—	5.9	12.3
100	74	Ind. Precision Castings	78	—	7.3	9.4	10.0	12.6
158	100	Isis Conv. Pref.	156	—	15.7	10.1	—	—
143	94	Jackson Group	142	—	7.5	5.3	4.4	9.0
203	111	James Burrough	203	+ 1	9.6	4.7	14.6	16.5
260	148	Robert Jenkins	150	+ 2	20.0	13.3	1.6	23.8
83	54	Scruttons "A"	69	—	5.7	8.3	9.0	10.8
167	112	Torday & Carlisle	112	—	11.4	10.2	5.0	8.6
29	21	Unilock Holdings	25½	—	0.46	1.8	—	—
85	64	Walter Alexander	65	—	6.4	9.8	4.6	6.7
270	214	W. S. Yeates	261xd	+ 1	17.1	6.6	4.0	8.3

Prices now available on Prestel page 48146.

UK COMPANY NEWS

Ladbroke ahead 10% to £36.2m

PRE-TAX profits of the Ladbroke Group for 1982 rose by 10 per cent over those of the previous year to £36.2m and the progress that was "particularly evident" in the second half has continued into 1983.

Profits for the second six months rose by 18 per cent to £22.8m compared with the same period in 1981.

Mr Cyril Stein, the chairman and managing director, regards the full year figures as "highly satisfactory" and he is stepping up the dividend by 7.6 per cent to 8p net per 10p share by a final payment of 4.3p (3.827p).

Looking to 1983 he says that with the continuing increase in disposable income and consumer spending the group's leisure and retail operations should again do better.

He points out that the hotels are achieving increases in business and that the property division is witnessing a return to more normal conditions, especially for prime developments.

Mr Stein concludes that group trading "should again be good in 1983."

Group turnover for the year under review expanded from £705.2m to £762m.

A divisional breakdown of pre-tax profits shows: hotels, holidays, taverns and machine hire £12.8m (£11.8m); property division net of interest £3.5m (£6.1m); other group properties £4.5m (£1.7m); betting and racecourse management £17.8m (£14.3m); social clubs £1.5m (same); and consumer electronics, video and electronic communications £2.8m (£1.1m).

Deductions included £6.7m (£3.7m) for interest and asset leasing and £0.3m (nil) for the employee share scheme.

After a proportionately higher tax charge of £7.2m (£4.2m), minority interests and pre-acquisition profits, earnings per share emerged lower at 19p, against 21.6p for 1981. Net assets per share rose from 133.5p to 144p.

Allowing for current cost adjustments pre-tax profits came through at £32.6m, compared with £30m, and on the same basis earnings per share were 17p (19.52p).

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: Scottish Metropolitan Property.

Finals: Armitage Brothers, Clyde Petroleum, Dunkie Heel, J. E. England (Wellington), Insurance Corporation of Ireland, Lyle Shipping, North British Canadian Investment, Senior Engineering, Trans National Trust, E. Upton, George Wills.

FUTURE DATES

Interims—

Polly Peck	May 19
Scottish Cities Invest. Trust	Apr. 12
Wearwell	May 17
Welkom Gold Mining	Apr. 21

Finals—

Astbury and Madeley	Apr. 13
Biddle	Apr. 20
Emray	†Apr. 18
General Investors & Trustees	Apr. 14
Hall (Matthew)	May 11
Miller (F.) (Textiles)	Apr. 15
Sotex	Apr. 12

† Amended.

Higher losses from Richards (Leicester)

Sharply increased pre-tax losses of £346,963 against £196,440 have been shown by Richards (Leicester) for 1982. However, the dividend has been maintained and the directors expect a "positive improvement" in results during the coming year.

The final dividend has been held at 1p net — which maintains the year's total of 2p. The company is a close company.

The structural and engineering company, say the directors, is seeing the benefits of the reorganisation which took place last year and with it a slight improvement in trading activity. They point out that this has been offset to some extent by a relatively slow start by the foundry company, but add that nevertheless the group appears to be on course to achieve a positive improvement in results during the year.

Turnover moved up from £5.12m to £5.28m. At the trading level losses rose from £143,803 to £249,111 to which were added exceptional redundancy payments of £97,852 (£52,637).

Losses per share were given as 14.6p (0.8p) after a reduced tax credit of £54,968 (£180,460). Goodwill of £50,000 was written off as an extraordinary debit this time. Dividends absorbed £40,000 (same) leaving retained losses of £381,995 (£55,980).

On a current cost basis pre-tax losses are increased to £498,496 (£429,440), and net losses per share to 22.2p (12.4p).

Erith improvement continues

IN THE second half of 1982 both sales and profit of builders' merchants Erith continued the improving trend noted at midway.

Group sales for the full year rose 12 per cent, from £32.86m to £36.88m, and profit before tax advanced 29 per cent, from £1.13m to £1.46m.

Earnings are stated to be ahead from 6.99p to 8.36p, and a final dividend of 3.2p lifts the net total from 4p to 4.8p. The directors also propose to make a scrip issue on the basis of one-for-one to holders registered April 22.

The reorganisation of the structure of the company has been completed and was effective from January 1 1983.

Pre-tax profit was struck after higher depreciation of £405,000 (£369,000), pension fund contribution £257,000 (£223,000), and interest paid £326,000 (£294,000). Tax takes £663,000 (£471,000) to leave the net profit at £798,000 (£662,000). The dividend cost is £439,000 (£378,000).

Annual meeting, June 1 at noon.

● comment

The completion of Erith's reorganisation programme, which has brought all its branches under the control of one operation, reducing overheads and improving efficiency, must take much of the credit for its 29 per cent increase in pre-tax profits on a 12 per cent rise in turnover. This more than fulfils the recovery hopes of the first half and puts Erith well on the way to surpassing its 1979 pre-tax peak. So long as interest rates remain stable and the present upturn in the housebuilding market is sustained, pre-tax profits of £1.8m look possible in the current year. The company says the sales increase was fuelled mainly by demand from medium-sized builders in the private housebuilding and refurbishment markets, particularly in the London area. Assisted by a mild winter and increases in local authority spending on home repairs, this area has been the main force behind a measurable increase in sales in the current year. The share price jumped 13p to 132p, with the increased dividend yielding 5.1 per cent.

Photo-Me expands midway to £1.8m on higher sales

Improved pre-tax profits of £1.81m against £1.27m have been shown by Photo-Me International and the directors expect that second half results will match the £1.25m earned in the comparable period last year. The interim dividend is held at 3.15p net.

Turnover of this manufacturer of automatic coin-operated photographic vending machines moved ahead from £16.01m to £18.95m.

Substantial investment in operational equipment in recent years is reflected in higher turnover, say the directors, despite recessionary influences.

They say that current returns indicate results for the second half will be comparable with those of the previous year, if there are no further material movements in exchange rates prior to the year-end.

Tax amounted to £935,000 compared with £685,000 and attributable profits were higher at £880,000 against £490,000. Earnings per 50p share rose from 22.33p to 32.86p.

In the last full year a total dividend of 9.45p was paid from pre-tax earnings of £2.62m (£2.21m).

Druck up 25% to £0.46m in first half

First half taxable profits to December 31 1982 of Druck Holdings, electronic pressure measuring device maker, advanced by 25 per cent from £371,000 to £462,000, on turnover ahead by 48 per cent at £1.92 compared with £1.3m.

This close company is paying its first interim dividend since joining the Unlisted Securities Market, of 1.1p net per 5p share. Last year a payment of 1p was made from pre-tax profits of £821,000.

Tax took £255,000 (£157,000) leaving attributable profits of £207,000 (£214,000).

Expansion continues at Morrison: pays more

FURTHER substantial progress has been made by Wm Morrison Supermarkets in the year ended January 29 1983. Sales have risen 12.8 per cent, from £198.52m to nearly £224m excluding VAT, and profit before tax has advanced 16 per cent, from £7.64m to £8.86m.

After tax of £4.7m (£2.96m), including this time a £1.11m provision for deferred, the net profit has declined from £4.68m to £4.16m, or from 10.1p to 9p per share.

The dividend is lifted from 1.4p to 1.6p net, with a final of 1.15p.

The year saw the opening of a supermarket at Staveley in April and a major extension to the Victoria Supermarket, Girlington, Bradford.

Three supermarkets were acquired from Mainstop at Southport, Eccles and Gainsborough. As the effective date was January 23 1983, only one week of trading from these stores is included.

The current year will see the completion of a major extension at the Keighley store and the opening of a new store at Heywood in Greater Manchester. Two further stores in Grantham and Sheffield will open in early 1984 and a major store is planned for Preston.

● comment

Wm Morrison Supermarkets is very closely followed in the City, but eve nso this latest batch of record profits was comfortably ahead of the most bullish forecasts, and the shares quickly jumped 16p to 174p. Firm control of labour costs is probably the area where management can take most credit for the improvement in pre-tax margins to an impressive 4 per cent. But the company has just signed a new annual wage award which at 7 per cent, is ahead of inflation. Last year's profits growth and most likely this year's too, are due to a combination of store openings and inflation. In other words, like for like gains will be hard to come by. This year's capital expenditure is going to be around £13.5m, a sum which can't be funded out of cash flow alone, so a swing into net interest payable is inevitable. But in the medium to long term, Wm Morrison's proven—if conservative—management skills point to it being one of the retailers most able to cope as the illusion of inflationary growth is stripped away. If the company makes £9.5m this year the shares are on a multiple of 17.5. There are many less impressive stocks on higher ratings.

MINING NEWS

Knobby Lake plans for Comstock Lode gold rush

BY GEORGE MILLING-STANLEY

THE STRENGTH of the gold price, compared with the levels of 100 years ago, and the advances in mining and recovery techniques since that time, have prompted many of today's mining companies to take another look at areas where mining operations ceased long ago.

One of the most famous mining camps in history was situated on the Comstock Lode in Virginia City, Nevada, which was discovered in 1859.

This area is once again in the news, although most of the interest is now being shown by Canadian companies, spurred on perhaps by their failure to secure big claims in the Hemlo region of north-western Ontario, the site of the most recent gold rush.

A number of groups are committing sizeable funds to develop gold properties which were, in today's terminology, only "high-graded" during the later years of the last century, when gold fetched around US$15 an ounce.

Mr Earl MacRae, president of the Vancouver-based Knobby Lake Mines, says his company and its partners are preparing final agreements on a plan to turn the Comstock Lode into one of the biggest gold rush areas of recent times.

Knobby Lake's partners are Victor Industries of the U.S. and two other Vancouver-based companies, Troudor Resources and Gordon Resources.

Mr MacRae's engineers have examined the property thoroughly, and he says they believe the whole area is on the point of becoming a huge open-pit gold mine.

His group plans to spend C$1m (£556,000) on a detailed development programme in the area, which must, according to one engineer, be regarded as almost virgin territory, so primitive were earlier extraction and processing methods.

Mr MacRae adds that at today's values, billions of dollars worth of gold were extracted from the region, but mining never penetrated below 200 feet beneath the surface in some areas.

"They really only looked at a very small percentage of the property's potential," he added.

Knobby Lake's engineers believe there are at least three significant deposits on the company's property, with a high possibility of further finds as exploration progresses.

Sullivan negotiates gold deal

CANADA'S Sullivan Mining Group, a former gold producer in north-west Quebec is negotiating a deal to explore and develop the Croinor Pershing gold property of Onaping Resources and Dominion Explorers some 35 miles east of Val D'Or.

The property has indicated tonnages of gold-bearing material from previous mine-making attempts which included underground work.

One estimate of indicated reserves is 946,000 tonnes averaging 0.23 ounces a tonne.

Sullivan is to pay Onaping/Dominion $400,000 following completion of the deal and will have the right to acquire a 50 per cent working interest in the property by spending an additional $1.6m for the de-watering of the mine and for further exploration and development.

Dome Mines

A consortium comprising the Dome Mines group, Lacana Mining Corporation and Rayrock Mines have decided to proceed to production at an open pit gold property at Boulder Creek, Nevada.

Estimated capital cost of the mine is US$24m (£15.8m).

The mine will be equipped with an 850 tonnes per day cyanide mill and Rayrock says production will start in the latter part of 1984.

Jackson oilfields get development go-ahead

THE PARTNERS in Australia's Naccowlah Block farmout agreement have decided to go ahead with development of the Jackson and Jackson South oilfields in the Queensland sector of the Cooper Basin.

The Jackson and Jackson South oilfields have proven oil reserves of 86.3m barrels.

Partners in the two oilfields are Santos, 40 per cent, Delhi Corporation, a subsidiary of CSR, 32 per cent, Vamgas, 8 per cent, Claremont Petroleum, 10 per cent, Ampol Exploration, 7.5 per cent, and Oil Company of Australia, with 2.5 per cent.

Santos, operator of both fields, says surface facilities will be designed to handle initial production of 13,000 barrels of oil a day from 21 wells.

A 14 well development drilling programme will start in the second half of this year; wells and facilities are expected to be completed in time to permit oil to commence flowing to Brisbane via the Jackson-Moonie pipeline on February 1 next year.

Cash shortfall expected from Placer operations

CANADA'S Placer Development is expecting a shortfall in cash from operations to finance mineral exploration, development and group operations this year, according to the latest annual report.

Unless molybdenum or copper prices increase significantly, Placer said its liquid assets would once more be reduced, after debt repayments, to a level which could restrict the company's flexibility.

This year's capital spending is expected to be around C$75m (£42m), including C$46m on oil and gas, compared with a total of C$377m over the past three years.

Stringent control of operating costs and the C$147m proceeds from last month's issue of shares and warrants should allow the the company to continue to expand and take advantage of any investment opportunities.

Strata Oil

AUSTRALIA'S Strata Oil has purchased the 10 per cent holding in Permit EP 100 held by the UK-registered LASMO for around A$4.6m (£2.8m).

EP 100, located in the Perth Basin of Western Australia contains the Woodada gasfield discovered in May 1980.

The deal increases Strata's interest from 26.95 per cent to 36.95 per cent.

COMPANY NOTICES

ROBECO

ROBECO NV

With reference to the announcement dated 2nd April 1983, concerning the cash dividend for the financial year 1982 on Sub-shares registered in the name of National Provincial Bank (Nominees) Limited, the rate of exchange for the payment of this dividend is Fls. 4.0350 = £1.

UNITED KINGDOM RESIDENTS

NON-RESIDENTS OF THE UNITED KINGDOM

BOUSSOIS SOUCHON NEUVESEL GERVAIS DANONE

5% BONDS 1972-1987 COMPAGNIE GERVAIS DANONE

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

THE KINGDOM OF DENMARK

The Chase Manhattan Bank, N.A. London, Agent Bank

THE ROYAL BANK OF CANADA
US$100,000,000
Floating Rate Debentures due 1987

In accordance with the terms and conditions of the Debentures, the interest rate for the period 7th April 1983 to 7th October 1983 has been fixed at 9.9375 per cent per annum.

On 7th October 1983 interest of US$252.58 per US$5,000 nominal amount of the Debentures and interest of US$2525.78 per US$50,000 nominal amount of the Debentures will be due for payment.

Swiss Bank Corporation International Limited Reference Agent

SOFINA S.A.

NOTICE OF ORDINARY GENERAL MEETING

BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE
U.S.$30,000,000
Floating Rate Notes 1982/1988

CONTRACTS AND TENDERS

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(ALGERIAN POPULAR DEMOCRATIC REPUBLIC)

MINISTERE DE L'ENSEIGNEMENT ET DE LA RECHERCHE SCIENTIFIQUE
(MINISTRY FOR EDUCATION AND SCIENTIFIC RESEARCH)

DIRECTION D'INFRASTRUCTURE ET DE L'EQUIPEMENT UNIVERSITAIRE
(DIRECTORATE FOR UNIVERSITY INFRASTRUCTURE AND EQUIPMENT)

Sous-Direction des Marchés & Contrats
(Sub-directorate for Purchases and Contracts)

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR TENDERS No. 6/83

ART GALLERIES

CLUBS

TRAVEL

PUBLIC NOTICE

COMPANY NOTICE

NOTICE TO HOLDERS OF FUJIKURA LTD.

UK COMPANY NEWS

Croda slips £1m below forecast

LOWER THAN forecast profits before tax of £15.04m have been produced by Croda International, chemical processor, for 1982. Earlier last year, at the time of the bid from Burmah Oil, the directors predicted that profits would be about £16m. The final dividend, however, is raised in line with indications at the time of the bid.

The pre-tax profit compares with £10.13m last time, and shows an advance of 49 per cent. Sir Frederick Wood, chairman, says that the result is "not unsatisfactory" in the light of disappointing sales volumes and pressure on margins in some areas.

The net final dividend is raised from 3.25p to 4p, which gives a higher total of 7p compared with 3.75p. Net earnings per 10p share are given as rising from 5.39p to 7.18p fully diluted—on a current cost basis they amount to 3.1p (losses 0.17p).

Taxation at £6.61m (£3.81m) was some £0.6m over the forecast, says Sir Frederick, mainly due to higher overseas tax rates and lower UK stock relief and capital allowances. As a result, profit after taxation turned out at £8.4m (£6.32m) against £10m forecast. Extraordinary debits amounted to £1.22m (£2.18m) resulting from closure costs in Organic Chemicals agricultural division and the currency problem in Mexico.

Attributable profits were £7.1m (£4.09m) compared with the dividend cost of £7.4m (£3.96m) requiring a transfer from reserves of some £0.3m against a previous surplus of £131,000.

During the year under review one main subsidiary, Croda Organic Chemicals, which includes most of the group's petro-chemical activities, fell short of its forecast by more than £1m which was hardly surprising, says Sir Frederick, when the experience of other petro-chemical producers in the UK and overseas in failing to meet expectations early in 1982 is taken into account.

Cash flow was positive for the third year in succession and net debt fell by £2m to £28m.

Further progress was made in the group's recovery, according to Sir Frederick, despite being a difficult year for the world chemical industry, and profits benefited from cost savings and loss elimination. Some operations, especially consumer products, Standard Soap and Manley Ratcliffe, and U.S. speciality chemicals turned in "excellent results" while others again "struggled to stay in the black."

Although the world recession in chemicals continues, prospects for 1983 appear to be improving. Sterling is becoming more competitive, energy is getting cheaper, world-wide economic activity is picking up. A period of increased activity for the British chemical industry would be most welcome if it can be sustained. Despite the substantial recovery in results over the last two years there is still much scope for improvement, says Sir Frederick. "This may be difficult, but it is clear that if we are to maintain and, in due time, increase, our rate of dividend such improved results will be essential."

Group turnover advanced from £277.7m to £307.1m. A breakdown of turnover and trading profits shows: Croda Chemicals International £82.4m (£75.3m) and £7.66m (£5.39m); Croda World Traders £97.2m (£87m) and £4.18m (£3.01m); Croda Organic Chemicals £46.3m (£40.8m) and £858,000 (£583,000); Croda Polymers International £81.2m (£74.8m) and £5.2m (£4.23m). Group trading profits of £18.35m (£14.04m) included surplus on disposal of investments and properties of £937,000 (£823,000).

On a current cost basis pre-tax profits were reduced to £10.26m (£3.64m)—at the retained level there was a deficit of £5.75m (£6.84m).

● comment

After midyear results the market had discounted the fact that Croda was unlikely to reach its Burmah bid defence forecast of "about £16m" pre-tax. In the event a less than 7 per cent shortfall bettered revised expectations and shares rose 7p to a peak 120p against the cash bid price of 70p. But the prediction was accompanied by a promise of an 85 per cent higher payout — critical to rejection of the bid. Sticking to that promise means a not fully covered payment this time and prospect of only marginal, if any, increase for some time. The current year has got off to a mediocre start but there are favourable trends to be seen in lower sterling and interest rates. Should Croda succeed in selling the synthetics division, and there may be some doubt here, this will remove a cyclical factor that in good times can add real sparkle to the figures. For the rest of the group lossmakers are being eliminated but it is tougher going overseas, particularly in Australia. There could be further significant help from property sales, but this far out the outturn for 1983 is looking like below £20m and well short of the £30m the company tantalisingly suggested a year ago would restore its performance in real terms. Nevertheless the market remains forgiving with a prospective p/e over 14.

F. Sumner £0.23m in red—omits dividend

MUCH LOWER turnover and a further fall into the red at the pre-tax level is reported by Francis Sumner (Holdings) which continued to suffer from poor trading conditions that prevailed in the textile and clothing markets throughout 1982.

Turnover for the 12 months ended December 31 last dropped from £11.28m to £5.78m and this industrial holding concern suffered taxable losses of £228,000, compared with previous profits of £34,000—at halfway losses amounted to £92,000 (£74,000 profits).

And, against a 0.2p payment last year the dividend is omitted.

Although no improvement in results has been seen in the first few months of 1983, directors are hopeful that further retrenchment, recently carried out, will help to restore the group to profitability in the second half of the year.

After a tax credit of £30,000 (£21,000 charge) and an extraordinary debit of £226,000 (£150,000) there was an attributable loss of £424,000, compared with a £138,000 loss last time. Loss per 10p share is given as 0.74p (0.05p earnings).

The extraordinary items arose at Brough, Nicholson and Hall relating to costs associated with the closure of the Cheadle factory and to the loss of £68,050 on the sale of its subsidiary, A. W. Hewetson.

Dreamland moves back in profit

A RETURN to profit has been achieved by the Dreamland Electrical Appliances group in 1982. And reflecting their confidence the directors are paying a final dividend of 0.35p from reserves, which doubles the total to 0.7p.

The profit came out at £56,000 (after a loss of £704,000 at halfway), compared to a loss of £352,000 for the previous year. And Mr Freddie Williams, the chairman, expresses his confidence that the current term, which will run for 15 months to March 31 1984, will show a return to satisfactory profits.

Mr Williams says the trade was again reluctant to carry other than minimum stocks and the public has tended to postpone replacement purchases. He believes, however, that sales have bottomed out to a level which can be maintained for 1983.

Turnover in 1982 rose from £8.9m to £9.48m, with the home content rising by over £1m but the export side showing a £0.5m drop to £1.6m.

Bank overdraft was down from £2.3m to £0.6m by the end of the year, and stocks had been reduced from £4m to £2.6m.

A new design of electronic heating pad has been introduced and a "bright future" is seen for it. A lot of marketing effort is going into promoting it as an "all the year round" selling item to ease the aches and pains of sportsmen and gardeners, as well as the aged.

After tax £30,000 (£42,000) the group has finished with a loss of £24,000 (£294,000) equal to 0.111p (1.37p) per share.

● comment

Dreamland claims that the worst is over and as a mark of confidence is dipping into its reserves to the tune of £75,000 to restore a final dividend. The key question is whether the second half swing into marginal profit reflects a routine seasonal upturn or an underlying improvement in profitability. In that period, the company computerised its production lines and modified its product range, aiming for a cheaper end of the market. It has shed £300,000 worth of overheads in the current year and is pinning its hopes on a new design of medical heat pad. Despite the advantages which might have been gained from the weakness of sterling, the continental operations shrank from 23.6 per cent to 18.9 per cent of sales as demand slumped and retailers destocked. The French subsidiary was closed after losing £100,000 for the third year running — mainly due to consumers' resistance to Dreamland's products. In this light, the company's decision to expand ambitiously into other European markets has obvious risks. Dreamland argues that it is simply a question of catering for lower retail stock levels. The market took an equally sanguine view, marking the shares up 6p to 18p, where they yield 5.6 per cent.

Burgess £66,000 loss at midterm

NON-RECURRING COSTS of £144,000 have left acoustical and electrical engineering concern Burgess Products (Holdings) £66,000 in the red for the 26 weeks ended January 29 1983, compared with £282,000 profits previously.

Turnover improved marginally, from £10.61m to £11.02m, but trading results and profit margins continued to be affected by the recession.

The interim dividend, however, is maintained at 0.5p net per 25p share—last year's final payment was 3p and pre-tax profits amounted to £801,000.

Senior management changes have taken place and cost reduction measures, including further redundancies were introduced which are included in the non-recurring debit for the period.

Directors anticipate that these measures will contribute to some improvement during the second half of the year although a longer time scale is required fully to assess these changes.

Trading profits were down from £496,000 to £259,000 and interest charges took £181,000, against £205,000. There was a tax credit of £47,000 (£69,000 charge) and after a minority credit of £1,000 (£3,000) the attributable figure was a £18,000 loss (£216,000 profit). Net loss per share is given as 0.4p, compared with earnings of 4.2p.

Preference and ordinary dividends absorb £27,000 (same).

Cookson Group falls to £6.4m

SMELTER AND non-ferrous metal fabricator Cookson Group fell from taxable profits of £11.3m to £6.4m in 1982, on higher sales of £476m compared with £429.6m.

Trading profits fell from £16.6m to £14.3m, of which £6.6m (£8.9m) related to the UK and £7.7m (same) to overseas. Pre-tax profits were struck after additional depreciation — based on current replacement values — of £5.1m (£4.8m), and interest payable of £18.8m (£16.2m), and included a contribution from associates, before interest, of £16m (£15.7m).

The year's dividend is being maintained at 9.66p net per 50p share with an unchanged final of 5.96p. Losses per share are given as 5.1p (3.5p earnings) after additional depreciation.

There was tax of £8.1m (£9.2m), extraordinary credits of £1.3m (£1m) and after dividends of £4.1m (same) the retained deficit emerged at £4.8m (£1.5m).

● Tioxide Group, the 50 per cent owned subsidiary which produces titanium compounds, advanced from £15.29m to £18.32m at the pre-tax level. Sales were ahead at £232.77m against £200.04m, and the dividend is being raised to 12p net (10p) on stated earnings of 23.1p (16.6p) per £1 share. After tax of £8.27m (£9.52m), minorities of £0.87m (£0.58m) and extraordinary credits of £0.88m (£0.2m) the attributable profits came to £8.06m (£5.39m).

● comment

The increase in Cookson's interest bill wiped out the benefit of higher profits from the numerous associated companies and the group ended last year with pre-tax profits at the low end of the market's expectations. The major markets in which the group operates have remained weak, while borrowings — about half of which are in the U.S. — have been steadily building. The strength of the dollar therefore impacted significantly on the financial position, adding 40 per cent of last year's £20m increase in borrowings. Capital spending made up the balance, taking year-end gearing to 45 per cent. Metals and chemicals kicked in a lower contribution than last year and profits from Dulux Australia fell by two-thirds. The benefits of major surgery, particularly at Associated Lead should begin to be felt in the current year. Some encouraging signs of a stirring in the construction and automotive sectors both in the UK and U.S., have been spotted. Tioxide's main plant, which was operating at less than half its capacity some months ago, has stepped up production considerably. An improvement at Cookson will depend on a broadly-based recovery in its principal market and the likely movements of U.S. interest rates. The share gained 4p yesterday to 158p, for a 9.1 per cent yield.

'W' Ribbons incurs loss but order books improve

FOR THE six months ended December 31 1982 "W" Ribbons Holdings, manufacturer of nylon and polyester webbings, incurred a pre-tax loss of £71,000, compared with a profit of £19,000 for the same period the previous year.

The deficit was struck after taking account of severence pay amounting to £34,000 resulting from rationalisation measures in the UK weaving and dyeing companies.

Consideration of an ordinary dividend is being deferred until the full year's results are available—the last payment was 1p net in 1980.

Turnover for the interim period advanced from £5.97m to £7.09m and at the operating level there was a surplus of £241,000, against £308,000. Interest charges took £312,000 (£289,000).

Although the company experienced a quiet January in the current year the two main UK companies noted a considerable upsurge in demand. It now appears that the improved order books will carry through to at least June, providing an expectation of a return to profitability.

In February 1980 the company agreed a purchase option in respect of the industrial premises owned by the German subsidiary now named Lolift Verpackungs and now has a firm commitment to purchase for DM 5.6m (£1.59m) which reflects the terms of the purchase option agreement and an initial payment of DM 1.5m (£425,000) has been received from the purchaser.

During the period of the purchase option the buyers and Lolift Verpackungs have been joint occupiers of the premises with the purchaser as tenant. The situation after the sale of the premises will be reversed with Lolift Verpackungs as tenant for a period of at least 12 months at a rental of DM 20,280 (£5,745) per month. Existing production will not be affected.

Proceeds from the sale will be used to reduce borrowings from the German and UK banks. "W" Ribbons retains it remaining land and buildings which had a book value of £700,000 at June 30 1982.

● comment

"W" Ribbons came close to breaking even at the 1982 year end, but the company has run into some severe problems since then. Crippling interest payments on excessive borrowings are the most pressing difficulty. But the latest results also show a deterioration at the trading level, depite a pick up in the business of the main UK weaving company. Pressure on margins has intensified and the company has proved unable to pass on higher raw material costs by raising its selling prices. One encouraging sign is that order books are healthier than they have been for some time and the Lolift companies in both the UK and Germany have managed to remain profitable through a difficult period. Even so, any turnaround at Ribbons will depend on management's success in reducing the alarming gearing level of 160 per cent (plus). Borrowings increased to around £4.6m at end-December, though some relief could be in sight with the proposed sale of the German factory. This should reduce debt by some £1.6m. The benefits of reduced gearing will not, however, be felt in the current financial year, though an improvement in this area might dispel some of the gloom on Ribbons' longer-term prospects. The share price was unchanged yesterday at 10p.

32% advance for Sunbeam Wolsey group

For 1982 profits of Sunbeam Wolsey, the Eire hosiery and knitwear manufacturer, have increased by I£220,000—32.5 per cent—to I£896,000. The dividend is again 3p.

Turnover was £845,000 lower, at £23.29m.

Tax requires £1,000 (£65,000), and earnings are given as 10p (6.4p), or 8p (3.8p) before the employment subsidy.

There are extraordinary debits of £1.22m (credits £27,000) being £620,000 closure costs and £604,000 goodwill on consolidation written off. The latter primarily represents the difference between the cost of the acquisition of Tullamore Yarns and Smith Haywood (Ireland) and the net tangible assets of those companies when they were bought in 1965.

Unidare profit and dividend recovery

Unidare has recovered from the effects of the strike which hit it in 1981, and for 1982 has turned in a group profit of I£2.17m from sales of I£44.71m.

The company is a Dublin-based subsidiary of Philips Electrical (Ireland), and makes electric cables and transformers. It is restoring its dividend to 7.5p.

Anglo Nordic

Permission has been granted for the ordinary shares of 5p each and the 10 per cent convertible unsecured loan stock 1989 of Anglo Nordic Holdings to be admitted to the official list of the Stock Exchange. Dealings in the securities, which have previously taken place on the USM will start on April 11.

BIDS AND DEALS

BTR raid on Tilling peters out on third day

BTR is understood to have picked up only a further 375,000 shares in Thomas Tilling as its market raid dragged through its third day.

With the addition of the 500,000 shares reported to have been acquired by BTR on Wednesday, this suggests that the industrial rubber and polymer products group has made little impression on the target equity since it purchased a 6 per cent stake in Tilling on Tuesday morning.

BTR's aim is a 14.99 per cent stake in Tilling, the equivalent of 43.5m shares.

KENNINGS/WESTERN MOTOR REVISED DEAL

Western Motor Holdings and Kennings Motor Group have announced revised terms, whereby Kennings will acquire 51 per cent of Western Motor subsidiary Distributor Deliveries. Western Motor will sell 65,560 ordinary shares of Distributor Deliveries for £70,403. The increase in Kennings' holding from 15 per cent to 51 per cent remains the same as announced on March 18 1983, and is expected to be effective from June 1. The total sum to be provided by Kennings by way of additional shares and loans of £1m is unchanged.

SKETCHLEY

Sketchley's subsidiary Rentex Services Corporation of the U.S. has entered into an agreement to acquire certain operating assets and the rental businesses of Stork Diaper Service Company and Industrial Uniform Rental Company, both of Philadelphia, for $2.59m (£1.73m). Both businesses are involved in laundry and rental services for the health care sector and the rental of garments for industry.

BRABY LESLIE

Braby Leslie subsidiary S. Briggs and Co. has acquired for cash the brewery plant businesses of Henry Balfour and Co. in the UK and of the Pfaudler Co. in the U.S., comprising certain assets including stock, plant, machinery, designs, patents and trademarks worldwide.

ASSOCIATE DEAL

S. G. Warburg and Co., as an associate of Steetley, has sold 200,000 Hepworth Ceramic Holdings shares at 141p on behalf of discretionary investment clients.

PRUTEC INVESTMENT

Prutec, a subsidiary of the Prudential Assurance Company, has invested £2.5m in Panorama Office Systems. Panorama, now based in Milton Keynes, was established in February 1982 to manufacture and market a new low-cost personal typing centre designed to replace the standard electric typewriter on a secretary's desk, as an alternative to an electronic memory typewriter or word processor.

JOHN MOWLEM

Shareholders of John Mowlem & Company have approved resolutions for the acquisition of Buehler and to increase the authorised share capital of the group from £6.25 to £7.53 by the creation of 5.12m additional ordinary shares of 25p each. Mowlem has provisionally allotted 5,649,366 new ordinary shares at 176p each on the basis of two for every seven held. Provisional allotment letters have been despatched.

Saxon bows out of Clyde merger

BY DAVID DODWELL

Saxon Oil yesterday withdrew its backing for a planned merger with Clyde Petroleum. In a letter to shareholders, it said "new circumstances" now make the terms of the Clyde offer too low.

The major change is that "there is now a very real prospect of Saxon participating in a commercial oil discovery." In addition, the prospect of more stable oil prices, coupled with tax changes in last month's budget, greatly improve Saxon's prospects, the company said.

Saxon Oil and Clyde Petroleum announced agreement on a merger which valued Saxon at £11.8m almost a month ago. At that time Saxon said that its "could be better developed by the more substantial group resulting from the merger."

Since then, with terms which valued Saxon shares at 60p and Clyde share at 63p, the two companies' share prices have rocketed. At the beginning of this week, Saxon shares had reached 120p, with Clyde at 95p. After yesterday's announcement, Saxon shares leapt 46p to 162p. Clyde slipped 2p to 90p.

The oil discovery discussed is Block 16/8b, in which Saxon has a 50 per cent stake. While the operator, Conoco, "is not yet in a position to make any statement," the Saxon board told shareholders: "Based on all the information and advice received, there are reasonable grounds for anticipating that a commercial oil accumulation exists."

This view was endorsed by petroleum advisers Gaffney Cline, after evaluation of preliminary data obtained.

Saxon said it had approached Clyde pressing for improved terms, but that Clyde had declined to offer any.

A spokesman for Clyde said last night: "All of these factors were taken into account when our offer was first made. It was based on a fair balance of the risks involved. There are still risks, and a large amount of money has to be spent before these preliminary findings are confirmed."

The first closing date for the Clyde offer is next Tuesday.

Clyde said that between now and then, "we are happy to leave it to the market to make a decision."

Saxon warned shareholders that "investment in Saxon as an independent company would be more risky than an investment in Clyde following the merger." It also noted that additional finance will be needed to prove the field. This will be done either by reducing Saxon's interest in the block, or by seeking fresh funds from shareholders.

No cash call is imminent, however. Under the original terms of Saxon's flotation, half of the payment for shares was deferred until March this year. This second payment has raised £7.5m.

Dowable consortium extends Cope offer

By David Dodwell

THE DOWABLE consortium yesterday extended for two weeks its offer for Cope Allman, the leisure, packaging and engineering group, following disclosure that it had managed to acquire just 21.5 per cent of the company's shares by the first closing date on Wednesday.

Consortium members, nevertheless, insisted that they saw no reason to increase the bid, which, at 60p a share, values Cope Allman at £23.75m.

One spokesman noted: "It had become clear that the major institutional holders in Cope were not going to accept our offer at the first closing date. They knew they had 60p on the table, so they obviously felt they had nothing to lose by waiting."

Dowable, which comprises British Car Auctions and Attwoods, headed by Mr David Wickins, Lin Pac headed by Mr Evan Cornish, Hawley Group, headed by Mr Michael Ashcroft, and two Robert Fleming investment trusts, was formed in July last year specifically to mount a bid for Cope.

The bid has been fiercely resisted by the Cope board, which points to improving prospects and complains that the bid is "opportunistic."

The offer will remain open until Wednesday April 20. Cope shares closed yesterday 1p up at 60p.

F. J. C. LILLEY

F. J. C. Lilley has purchased 97.6 per cent of Morrison Quarries of Dumfries, Scotland. Lilley will compulsorily purchase the remaining 2.4 per cent of the shares.

The consideration paid totals £861,000 comprising £168,106 cash and an issue of 286,947 ordinary shares of 25p fully paid. The net assets of Morrison, quarrymaster, at January 31, 1983 were £577,000 and the pre-tax trading profits for the eight months to January 31, 1983 were £57,000.

90-day ban imposed on W. Canning deal

PLANS of W. Canning, the chemicals, metals and electronics group, to sell its Australian subsidiary to a New Zealand company took a severe knock yesterday with news that the Australian Foreign Investment Review Board has imposed a 90-day prohibition on the deal.

Canning agreed in December to sell its 100 per cent-owned subsidiary, Lawrence Smith and Canning Pty, to Healing Industries of New Zealand. The agreed price was A$1.24m (£729,000).

Mr Ben Tromans, chairman of W. Canning, said they had had no forewarning of any prohibition. He said that Healing planned to seek clarification from the Review Board. Canning did not plan to take independent action at this stage.

Lawrence Smith and Canning, based in Sydney and employing 65 people, makes chemicals used in the treatment of metal surfaces.

The Review Board said that the planned deal comes within the scope of the 1975 Foreign Takeovers Act, since it would result in a change in control of an Australian business, with the control remaining foreign.

The Act puts an open-ended commitment on foreign-owned companies in Australia to reduce the overseas stake in the company to 49 per cent.

The Review Board said the interim prohibition order had been issued so that the government could be satisfied that Australian interests—or foreign interests with substantial Australian equity—have had adequate opportunity to bid for the Canning subsidiary.

Mr Tromans said the original approach to sell the Australian subsidiary came from Healing, which acts as agent for W. Canning in New Zealand. If the Review Board imposed a veto on the deal, and no adequately priced Australian bids emerged, W. Canning would be content to continue running the company as before, he said.

In his company's annual report, released yesterday, he said Lawrence Smith and Canning earned net profits of £34,000 in the year ending September 30, 1982.

"It was clear, however, that the effects of the recession in Australia would seriously impair trade in the 1982-83 year," he said. "The acquisition by Healing, which already has a chemical subsidiary in Australia, enables LSC to increase its product range and helps to safeguard the jobs

Io Technology dealings suspended

Share dealings in IoTechnology were suspended yesterday, pending a statement by the company.

Iotechnology, which makes and sells microcomputers, was floated on the USM in March last year.

However, it has faced problems since its launch, and it is possible that yesterday's suspension signposts a call on shareholders for fresh funds. Interim accounts for trading to last September are almost three months overdue.

A recent stockbrokers' circular noted that Iotechnology had faced difficulties in recruiting dealers—in large part because of heavy recruitment in 1982 by international names like ATT and IBM.

The circular predicted a loss for the year to March 1983 of at least £173,000, but suggested that the company might by now be breaking even.

The circular also pointed out that cash "could be a constraining factor," since future success would depend on heavy sales promotion.

Mr David Atkins, chairman of IoTechnology, was unavailable for comment throughout yesterday, and it is not certain when a company statement will be forthcoming. IoTechnology's shares were suspended at 230p, down 7p from the day's opening price.

CYCLE AND CARRIAGE

Cycle and Carriage has sold £3.6m worth of convertible loan stock in Newman Industries for £1m cash.

C and C said in February that it intended to dispose of the stock, subject to court approval of Newman's refinancing plan. That plan has since been approved. C and C now holds 1.8 per cent of Newman's equity common stock.

Trumanns raises Austin offer

Trumanns Steel Group yesterday increased its contested bid for James Austin Steel Holdings by 10p to 87p, valuing the company at £3.92m. But James Austin described the new offer as "not obviously attractive."

The James Austin board will meet today to consider the bid, but will not respond until after Trumanns delivers the offer document early next week.

The Yorkshire-based steel stockholders, James Austin, rejected a 77p offer last month as "totally inadequate." The privately owned Trumanns, also a steel stockholding company, has held more than a quarter of Austin shares since 1978.

Mr A. J. Fletcher, chairman of Trumanns, believes in commercial advantages for a larger group and wants to form the two companies into the Trans-Pennine Independent Stockholding Group, working in the north east and north west Midlands.

The companies had a turnover of about £15m apiece last year. In the year to the end of March 1982, James Austin showed a profit of £395,000 before exceptional items, down on previous years. Some recovery was made in the first half of last year, when sales at £6.6m were down 15 per cent but pre-tax profits increased by £204,000, compared with £107,000.

The 87p offer price represents a premium of more than 33 per cent, but still a discount on the 110p net asset value.

At the interim stage the James Austin chairman warned that "steel stockholding in all sections will see little improvement until there is a recovery in world economy and a pick up in engineering demand," but added that the company was "able to ride out the storm and be in a strong position to take advantage of an upturn when it comes."

James Austin shares closed at 87p yesterday, up 9p.

Tillman Group acquires control of Sumrie

Mr Harold Tillman, owner of the Tillman Group, the private London-based suit manufacturer, yesterday succeeded in his take-over bid for Sumrie Clothes.

Shareholders representing 24 per cent of Sumrie shares have accepted the cash offer of 65p per share by Afcor Investments on behalf of Mr Tillman.

Sumrie shares rose 8p to close at 90p on the news.

Mr Tillman needed just 8.4 per cent of the shares to take over Sumrie, since he, and parties acting in concert with him, owned 41.6 per cent of Sumrie before the mandatory cash offer was made in February.

Mr Tillman, who has had a long association with the fashion business, will now join the board of Sumrie, as will Mr Harold Sorsky who was on the board of Lincroft Kilgour, a company involved in all aspects of the textile trade, which Mr Tillman took to the market.

Mr Ronald Sumrie is expected to stay on as chairman.

The Tillman offer values Sumrie at £1.63m. The company, which employs about 280 people in three factories in Yorkshire, reported pre-tax losses of £34,000 for the half-year to the beginning of October, compared to a £137,000 loss in the same period previously on a marginally increased turnover.

The reduction in the trading loss was due to reduced manufacturing costs, however, and the chairman warned that the second half was proving even more difficult.

DRG SELLS INTEREST

DRG has sold its Southern African packaging and stationery interests, including its 70 per cent interest in DRG (S.A.) to the Kohler group for about £20m cash.

BANK RETURN

	Wednesday April 6 1983	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	47,156,129	— 4,002,672
Bankers Deposits	702,442,621	+ 6,722,612
Reserve and other Accounts	2,225,322,881	+ 89,685,620
	2,996,197,143	+ 92,405,360
Assets		
Government Securities	610,671,952	+ 184,967,274
Advances & other Accounts	1,400,806,583	— 70,203,453
Premises Equipment & other Secs.	972,255,292	— 31,069,494
Notes	12,442,839	+ 8,831,445
Coin	120,377	— 20,410
	2,996,197,143	+ 92,405,360
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	11,500,000,000	+ 75,000,000
In Circulation	11,487,557,161	+ 66,168,557
In Banking Department	12,442,839	+ 8,831,445
Assets		
Government Debt	11,015,100	—
Other Government Securities	4,549,532,496	+ 627,850,653
Other Securities	693,452,404	— 552,850,653
	11,500,000,000	+ 75,000,000

RESULTS AND ACCOUNTS IN BRIEF

THOMAS WALKER (metal smallwares) — Interim dividend 0.1675p (same) for six months to December 31, 1982. Turnover £802,424 (£703,037). Attributable profit £51,813 (£10,416), after all charges. Earnings per 5p share 0.8635p (0.1736p).

METAL INDUSTRIES (electrical and security equipment and building services) — Turnover £58.33m (£60.33m) for six months to Sept. 30, 1982. Pre-tax profit £1.72m (£310,000). Tax £150,000 (£160,000). Minorities £20,000 (£21,000). Group's holding company is Thorn EMI.

RELIABLE PROPERTIES (property dealer)—For first half to December 31, 1982: interim dividend 1.25p (same) net per 25p share; net profits on sale of properties £378,873 (£340,020): property income receivable £698,082 (£542,785): property outgoings £453,699 (£403,174): interest receivable £410 (£210): company management expenses £16,531 (£15,802): interest charges £268,067 (£189,951): pre-tax profits £339,168 (£274,088).

GREENBANK INDUSTRIAL HOLDINGS (engineer)—For 1982: Final dividend 1.3p making 2.1p (1.8p) per 10p share: sales £12.96m (£9.82m): trading profit £2.35m (£1.91m): pre-tax profits £2.38m (£1.98m) after depreciation £270,284 (£278,415) and interest £17,444 (£18,902) but incl— investment income £314,926 (£363,707): tax £1.16m (£991,336): extraordinary debits £867,724 (£77,438 credits): stated earnings per share 4.85p (3.92p): cc pre-tax profits £2.13m (£1.4m).

BRITISH VENDING INDUSTRIES (powdered vending ingredients)—For 1982: final dividend 0.35p making 0.7p per 10p share (nil): turnover £19.7m (£19.39m): trading profits £384,000 (£280,000 profits): pre-tax profits £341,000 (£456,000 losses): tax £106,000 (£210,000 credit): extraordinary credit nil (£918,000): stated earnings per share 2.75p (losses 2.89p and 2.54p (losses 1.2p) fully diluted.

PITNEY BOWES (mailing and business equipment manufacturer)—Pre-tax profits £4.04m (£5.36m) for 1982: turnover £38.17m (£33.23m): investment income £1.3m (£1.13m): attributable profits £2.4m (£3.2m). Current cost profits £2.82m (£4.07m). Export sales rose 35 per cent during year, but difficult trading conditions made their impact on the run of record profits, say the directors. Equity is all held by Pitney Bowes, U.S.

FINLAY PACKAGING (colour printer) —Pre-tax profits £683,000 (£815,000) for 1982: turnover £8.72m (£7.36m): trading profits £462,000 (£719,000): interest credited £141,000 (£96,000): tax £319,000 (£391,000): final dividend 1.75p net (1.75p) making 2.25p (same): earnings per 5p stock unit 3.19p (4.94p). Meeting: Belfast June 29.

TRANSPORT DEVELOPMENT GROUP (road haulage, storage, and plant hire)—Results for 1982 reported with prospects on March 15, 1983. Shareholders' funds £128.59m (£122.45m): fixed assets £167.38m (£158.95m): net current assets £5.9m (£4.61m): increase in net borrowings £5.16m (£16.94m). Meeting: Glaziers Hall, 9 Montague Close, London Bridge, SE on April 29 noon.

BSR (electronics, audio and kitchenware)—Results for 1982 and prospects reported on March 10, 1983. Shareholders' funds £27.57m (£80.32m); fixed assets £38.34m (£48.13m); net current liabilities £3.51m (assets £17.28m): decrease in borrowings £4.76m (increase £22.6m). In December two former directors, Mr N. Lane and Mr E. E. Parks both retired from the board. Payment to former directors £103,000 (£24,000). Two highest paid directors £288,995 each (£92,867 each). Meeting: Hyde Park Hotel, Knightsbridge, SW on April 28 at 11 am.

SINGER & FRIEDLANDER—Net asset value of the dividend shares was approximately 46p per share at March 31, 1983. The unaudited net asset value of the asset shares at the same date was approximately 404p per share.

LEY'S FOUNDRIES & ENGINEERING —Results for year to September 30, 1982 reported February 10, 1983. Fixed assets £4.64m (£4.67m). Net current assets £6.01m (£8.71m). Shareholders' funds £10.69m (£13.63m). Decrease in liquid funds £1.27m (£0.7m). Meeting, Derby, April 28, 2.30 pm.

TRICENTROL (oil and gas exploration and production)—Results for 1982 reported March 25. Group shareholders' funds £131.5m (£81.4m). Fixed assets £258.8m (£154.8m). Current assets £129.4m (£62.1m), current liabilities £128.8m (£54.9m). All comparisons have been restated. Capital commitments £28m (£9.5m) of which £25.1m (£8m) contracted for. Meeting: Tower Hotel, E, April 28, noon.

WOLSTENHOLME RINK (bronze and aluminium powder manufacturer)—Results for 1982 already known. Group shareholders' funds £9.01m (£8.58m). Fixed assets £3.87m (£2.94m). Net current assets £5.47m (£5.03m). Chairman says future seems brighter. Meeting: Bolton, April 28, noon.

WATMOUGHS (HOLDINGS) (colour printer) — Results for 1982 reported March 23, 1983. Fixed assets £13.35m (£12.9m). Net current liabilities £2.19m (£3.77m). Shareholders' funds £11.17m (£9.3m). Working capital increased £1.67m (£2.55m decrease). Meeting, Horsforth, April 28, noon.

SAVE & PROSPER STERLING DEPOSIT FUND—Net deficit £66,000 (£27,000 surplus) for the six months to February 28 1983. Net asset value per 1p participating share 166.5p (160.6p).

BERISFORDS (maker of ribbons, labels, trimmings, embroidery and lampshades)—Results for year to November 9 1982 reported March 9 1983. Group fixed assets £4.36m (£3.68m). Net current assets £3.39m (£3.57m). Shareholders' funds £7.62m (£7.16m). Net increase in bank borrowings £160,000 (£939,000 decrease). Meeting, Congleton, Cheshire, April 28, 11 am.

JOHNSTONE'S PAINTS (paint maker) —Results for year to November 27 1982 reported March 10. Shareholders' funds £5.94m (£4.75m): fixed assets £3.09m (£2.2m): net current assets £2.91m (£2.61m): increase in working capital £298,025 (£1.12m) including decrease in net liquid funds £167,298 (£1.82m increase). Meeting: Ashton-under-Lyne, April 26, 11.30 pm.

H. WOODWARD & SON (motor dealer and civil engineer)—Results for year ended September 30 1982 reported March 21. Group fixed assets £917,000 (£882,000), net current assets £2.09m (£2.02m). Shareholders' funds £2.87m (£2.74m). Chairman says profit margins still under pressure and it will be some time "before we arrive at a sensible return on the goods and services we supply." Taking every opportunity to utilise facilities by taking on projects which hopefully will provide additional revenue. Meeting, Liverpool April 22 at 3 pm.

AFRICAN LAKES CORPORATION (tea and rubber planter)—Results for the year to end July 1982 reported February 7. Shareholders' funds £4.15m (£4.51m): fixed assets £5.01m (£5.25m): net current assets £539,470 (£1.02m): decrease in working capital £689,013 (increase £583,441). Meeting: Edinburgh, April 28, 11.30 am.

BARLOW HOLDINGS—Results for 1982 already known. Shareholders' funds £41.05m (£40.17m): fixed assets £76,000 (£28.38m): investments £23.01m (£10.57m): investment in Barlow Plantations Sdn Bhd £12.27m (nil): net current assets £6.63m (£150,000), including cash and bank balances £14.4m (£4.55m): increase in working capital £11.5m (decrease £2.8m). Compensation for loss of office £35,000. Chairman says that Mr C. E. Hindson is retiring by rotation from executive duties after 36 years with the group. Subsequent to the year end the 30 per cent holding in Barlow Plantations has been sold for its book value. Meeting: Great Eastern Hotel, EC, May 10, 12.15 pm.

OLIVES PAPER MILL—Results for 1982 and prospects reported February 28 1983. Shareholders' funds £1.6m (£1.58m). Fixed assets £1.4m (£1.29m). Net current assets £312,838 (£459,264). Decrease in bank borrowings £107,903 (£379,746 increase). Meeting, Charing Cross Hotel WC, April 26, at 3.30 pm.

LEX SERVICE (car and commercial vehicle distributor)—Results for the year ended January 2 1983 and prospects reported March 28. Group shareholders' funds £100.3m (£92.9m). Fixed assets £77.2m (£78.9m). Current assets £195.4m (£161m), including stocks £110.8m (£97.6m) and cash £30.3m (£14.5m). Creditors—amounts falling due within one year—£123.4m (£102.8m). Net increase in working capital £9.3m (£11.8m decrease). Meeting, 17 Great Cumberland Place, W, May 12, noon.

ENERGY RESOURCES AND SERVICES —Net asset value as at March 31 amounted to U.S.$7.11 per share. On the basis of the exchange rate of $1.4835 prevailing at that date, the sterling equivalent of NAV was approximately £4.79 per share.

WINTERBOTTOM ENERGY TRUST—Net asset value per share at the close of business on March 31 1983 was 83.6p after deduction of prior charges at par and 85.8p after deduction of prior charges at market value.

B·A·T INDUSTRIES

Results for the year ended 31 December 1982

Patrick Sheehy, Chairman, comments:

A "real advance on last year," was forecast at the interim stage, and I am glad to report that it duly came about. Turnover has passed the £10 billion mark for the first time, and at £11,507 million is up by 24 per cent; pre-tax profit is up by 25 per cent at £856 million; profit attributable to B.A.T Industries is up by 25 per cent at £454 million.

There has been a continuation of underlying growth. Naturally, with sterling declining from 1.91 dollars to 1.62 dollars to the pound between the year-ends, currency changes improved the figures. But even without that benefit, turnover would have increased by 13 per cent, trading profit by 9 per cent, pre-tax profit by 11 per cent, and attributable profit by 10 per cent. This is a satisfactory outcome for a year which has been so disappointing for many other major companies throughout the world. Once more the results show the strength of the Group's wide geographical coverage and industrial diversity.

As can be seen from the industrial and geographical analyses, there have been relatively small changes in the proportions of turnover and trading profit by area or industry. The two significant improvements were the increased contribution from North America, where trading profit increased by £101 million to provide nearly one half of the Group total; and Paper, where trading profit also rose in a year when the industry was generally going through a particularly bad time.

Retailing turnover and trading profit were helped by the acquisition of Marshall Field in the US during the first half of the year. After providing for the cost of financing, Marshall Field contributed £8 million to Group pre-tax profit. The figures for paper reflect principally the long and imaginative investment programmes in both Appleton and the Belgian carbonless businesses.

One of the most notable features of these results is the continuing performance of our first, and still our biggest industry, tobacco. The year saw tobacco volumes fall slightly as recession bit still harder across the world – and as governments tended to increase their "take" from what is, to them, a simple and convenient revenue source. Even so, most of the Group's tobacco subsidiaries, and those of our associates, maintained their market shares, improved margins, and increased productivity. The last is an important consideration as again it reflects maintaining a high level of investment in research and development, the application of new technology and the continuing attention to productivity of assets and people.

Tobacco trading profit contributed 73 per cent of the Group total with an increase of £109 million. That was achieved in spite of a very large tax increase in Germany which had a dramatic effect on the pattern of the tobacco market, and unusual disturbance for the US industry when the second half was overshadowed by intensive competitiveness, accompanied by a sequence of manufacturers' price rises, in anticipation of the doubling of the federal excise tax at the beginning of the current year. However there were good results from the companies in these countries, and as can be seen in the more detailed activity report there were also outstanding results from many others.

An example of the Group's confidence in its future is the level of capital spending. Expenditure on fixed assets increased from £278 million in 1981 to £341 million in 1982, and I am particularly happy to record that £71 million of that was allocated to the United Kingdom.

The Board is recommending a final dividend for 1982 of 15.0p which together with the interim dividend of 12.5p gives a total of 27.5p, an increase of 19.6 per cent over the previous year. The Board is also proposing a 3 for 1 capitalisation issue in order to provide a better balance between the issued capital and the reserves of the company. There will be a consequent adjustment in the quoted price of the company's shares on the stock market which should make the shares more attractive for the smaller investor.

GROUP PROFIT AND LOSS ACCOUNT – Year to 31 December

	1982 £ millions	1981 £ millions	% change
Turnover	11,507	9,265	+24
Trading profit	783	634	+24
Interest paid less received	29	37	−22
	754	597	+26
Share of associated companies' - profit before tax	102	87	+17
Profit before taxation	856	684	+25
Taxation	346	281	+23
Profit after taxation	510	403	+27
Minority interest	56	40	+40
Attributable to B.A.T Industries:			
Net profit before extraordinary items	454	363	+25
Retained for inflation	206	176	+17
Net profit after inflation retention	248	187	+33
Dividends	100	84	+19
Other retentions	148	103	+44
Earnings per ordinary share	124.9p	99.9p	+25

EXCHANGE RATE EFFECTS

The results of overseas subsidiaries have been translated into sterling for the purpose of this report at exchange rates ruling on 31 December in each year. Over the year to 31 December 1982 sterling weakened against most other currencies with a consequent favourable effect on the sterling figures reported. Had the same exchange rates ruled at the end as at the beginning of the year, it is estimated that the figures would have been as follows:

	Year to 31 December 1982 £ millions	change
Turnover	10,430	+13%
Trading profit	690	+ 9%
Profit before taxation	760	+11%
Net profit attributable to B.A.T Industries	400	+10%

These estimated figures do not include any devaluations of the Brazilian cruzeiro and the Argentine peso against the US dollar as such devaluations broadly represented the relative decline of the purchasing power of these currencies.

CURRENT COST PROFIT AND LOSS ACCOUNT – Year to 31 December

	1982	1982 £ millions	1981	1981 £ millions
Turnover		11,507		9,265
Trading profit per Group results		783		634
Cost of sales adjustment	228		206	
Depreciation adjustment	93		83	
Reduction in service potential of fixed assets	1		7	
Monetary working capital adjustment	(98)	224	(60)	236
Current cost operating profit		559		398
Interest paid less received per profit and loss account	29		37	
Gearing adjustment (note)	(53)	(24)	(55)	(18)
		583		416
Share of associated companies' current cost profit before tax		80		59
Current cost profit before taxation		663		475
Taxation		346		281
Current cost profit after taxation		317		194
Attributable to minority shareholders in subsidiaries		39		25
Current cost profit attributable to B.A.T Industries before extraordinary items		278		169
Dividends		100		84
Retentions		178		85
Current cost earnings per ordinary share		76.5p		46.5p

An alternative adjustment referred to as "benefit arising on other net monetary liabilities" has been used by the Group for a number of years to calculate the requirement for inflation shown in the profit and loss account.

For 1982 this abates the inflation retention attributable to B.A.T Industries shareholders by only £15 million as opposed to the gearing adjustment of £53 million. Although the inflationary benefit from Group borrowings is fully reflected, the comparatively low overall benefit arises from the greater impact in 1982 of the effect of holding increased net monetary assets in certain countries with high inflation.

The difference between this adjustment and the gearing adjustment which is £38 million, less a further £8 million in respect of associated companies, explains the difference between the current cost profit attributable to B.A.T Industries of £278 million and the net profit after inflation of £248 million shown in the profit and loss account.

INDUSTRIAL REVIEWS

TOBACCO

	1982 £ millions	1981	% change
Turnover	6,468	5,322	+22
Trading profit	572	463	+24
Total assets	2,586	2,114	+22

Year to 31 December.

Turnover rose in sterling terms by 22 per cent and in local currency by 8 per cent. Trading profit was up by 24 per cent in sterling and 10 per cent in local currency. Group volume excluding associated companies was down by 4 per cent, or by 3 per cent including associated companies, but market shares were generally maintained.

Brown & Williamson increased sales turnover in the US market and achieved a significant rise in trading profit, reflecting higher cigarette prices and improved productivity and efficiencies. However, its overall domestic market share declined by 0.6 per cent. Substantial price increases in the latter part of the year, ahead of the higher federal excise tax imposed at the beginning of 1983, caused some decline in total industry volume.

Cigarette volume in the UK continued to be depressed so that, even though BAT (UK & Export) increased its market share, its sales decreased against 1981. Although turnover rose it was more than offset by higher expenses. Exports were only just below last year's very good level and profit increased slightly.

The impact on the year of a very large increase in tobacco tax was a 14 per cent decline in the total German cigarette market. BAT Cigaretten-Fabriken's established brands withstood the competition from imports better than the German industry as a whole and trading profit was down only marginally.

In Brazil, total market sales were depressed by consumer price increases but Souza Cruz increased its market share slightly, turnover was up some 35 per cent in sterling terms and trading profit by 10 per cent.

Sales volume in the rest of the Latin America area was lower than last year, but turnover and trading profit showed a good improvement. In Venezuela, the company further improved market share, sales and profit.

In Asia, total profits improved and sales volume was maintained. Hong Kong had a difficult year but trading profit was up as margins improved. Singapore had excellent results, particularly in export markets.

Total sales in Africa were down mainly because of another difficult year in Nigeria but this reduction was to some extent compensated by improved results elsewhere.

RETAILING

	1982 £ millions	1981	% change
Turnover	2,997	2,180	+37
Trading profit	102	72	+42
Total assets	1,546	864	+79

Year to 31 December.

Excluding the acquisition of Marshall Field and Company, BATUS Retail Division's turnover would have been down slightly and trading profit in dollar terms would have fallen by 38 per cent in what was a difficult year for the whole industry. However, with the addition of the seventy-nine stores of the Marshall Field Group there were increases of 38 per cent in turnover and 13 per cent in trading profit. Saks Fifth Avenue's trading profit declined but was a reasonable performance in the circumstances; it continued its expansion and development, opening two new stores. All four Gimbels divisions traded profitably and Kohl Department Stores was expanded by the addition of five stores.

In the UK, International Stores returned to trading profit through rigorous cost control and improvements in productivity. It was decided to withdraw from the Mainstop superstores operation by disposing of the larger units while retaining those which could be merged profitably with the International supermarket business. Argos gained sales volume through existing showrooms and increased its national coverage, opening a further nine units which gave a total of 124 showrooms at the year-end, and showed a substantial gain in trading profit in spite of tight margins and strong high street competition.

PAPER

	1982 £ millions	1981	% change
Turnover	974	831	+17
Trading profit	75	47	+60
Total assets	636	548	+16

Year to 31 December.

Appleton Papers' trading profit improved significantly in both dollar and sterling terms, reflecting improved selling prices, lower material and pulp costs, and the benefits of completion of a large capital spending programme. Overall sales volume fell 8.8 per cent but its sales of carbonless copying paper on the US market rose by 4 per cent. The decline in volume can be attributed to the planned production cutback of general mill grades, in favour of increased production of higher-margin carbonless copying paper.

Wiggins Teape's total sales in the UK and Europe were more than 15 per cent up in sterling terms on last year. The UK domestic market was still under severe pressure and sales volumes were down. Although the dollar price of pulp was weaker, selling prices could not be raised enough to cover its increased cost in sterling. The carbonless copying paper market continued to show strong growth. Overcapacity led to continued fierce competition but Wiggins Teape's Belgian mills benefited from increased volumes, and with better operating efficiencies margins improved significantly. However, the operation in South Wales continued to make losses.

PACKAGING AND PRINTING

	1982 £ millions	1981	% change
Turnover	537	492	+ 9
Trading profit	18	20	−10
Total assets	296	297	—

Year to 31 December.

Market conditions in the UK and Europe remained generally weak with strong competition for packaging orders but there was a small gain in profit, arising from some volume growth and continuing productivity improvements. Recession in North America affected the Canadian and US operations, with volume and profits down from the high levels of 1981.

OTHER TRADING ACTIVITIES

Other trading activities as a whole show a decline in trading profit against last year which had included a special exchange gain; excluding this results overall were up.

Despite difficult conditions for cosmetics with recession in many major markets, there were increases in turnover and trading profit. In the UK, Yardley did especially well.

Results of the Home Improvements Group in Germany were mainly affected by a drop in new building construction and disappointing levels of activity in property refurbishment. Pegulan's profit was particularly affected by these trading conditions. Hüppe's turnover and profit were up with the inclusion of a newly acquired bathroom fitting and fixtures manufacturer.

ASSOCIATED COMPANIES

The Group's share of the pre-tax profit of Imasco, its Canadian associate, was £57 million, an increase of 44 per cent in sterling terms and 27 per cent in Canadian dollars. This excellent result was achieved in spite of the severe Canadian recession. There was little volume growth in the Canadian cigarette market in 1982, but market share was maintained at 49 per cent and trading profit from tobacco was almost 20 per cent up. The Hardee's restaurant business had an extremely successful year and profit was well up on last year.

B.A.T Industries' share of the pre-tax profit of AMATIL, the associate in Australia, was £19 million, an increase of 28 per cent in sterling terms and 25 per cent in Australian dollars. Tobacco products division once again achieved higher profit, printing and packaging earned substantially higher profits, beverage and snack food divisions had a successful year and the meat division reduced its losses.

ANNUAL REPORT AND ACCOUNTS

These figures for the year ended 31 December 1982 have been extracted from the full financial statements to be delivered to the Registrar of Companies, and carry an unqualified audit report.

The Report and Accounts will be available on 30 April. The Annual General Meeting will be held on 25 May, 1983.

DIVIDENDS

The directors will be recommending to the shareholders at the Annual General Meeting to be held on 25 May 1983 the payment on 1 July 1983 of a final dividend for the year of 15.0p per ordinary share of 25p.

Transfers received in order by the Registrar of the Company up to 3 June 1983 will be in time to rank for payment of the final dividend.

As explained in the 1981 Report and Accounts the dividend pattern has been simplified to one of a single interim and a final dividend with the declarations linked to announcements of Group results.

The following is a summary of the dividends declared for the years to 31 December 1982 and 1981.

	1982	1981
Interim paid 1.7.81	—	6.5p
Interim paid 4.1.82	—	8.0p
Interim paid 16.11.82	12.5p	—
Final proposed payable 1.7.83	15.0p	8.5p
	27.5p	23.0p

CAPITALISATION ISSUE

The current issued share capital of the company is £91 million, while the reserves and share premium account amount to £1,068 million. The Board will be proposing at the Annual General Meeting a capitalisation issue of three fully paid ordinary shares of 25p each for every ordinary share of 25p held on 3 June 1983, thus increasing the issued capital to £364 million and leaving a balance of £795 million in reserves.

INDUSTRIAL AND GEOGRAPHICAL ANALYSES

INDUSTRIAL	1982 £ mn	1982 %	1981 £ mn	1981 %
Turnover				
Tobacco	6,468	56	5,322	57
Retailing	2,997	26	2,180	24
Paper	974	8	831	9
Packaging & printing	537	5	492	5
Other trading activities	531	5	440	5
	11,507	100	9,265	100
Trading profit				
Tobacco	572	73	463	73
Retailing	102	13	72	11
Paper	75	10	47	8
Packaging & printing	18	2	20	3
Other trading activities	16	2	32	5
	783	100	634	100

Year to 31 December.

Group central costs are charged in other trading activities

GEOGRAPHICAL	1982 £ mn	1982 %	1981 £ mn	1981 %
Turnover				
United Kingdom	2,189	19	2,034	22
Europe	2,368	21	1,979	21
North America	3,478	30	2,542	27
Latin America	2,302	20	1,731	19
Asia	721	6	566	6
Africa	370	3	355	4
Australasia	79	1	58	1
	11,507	100	9,265	100
Trading Profit				
United Kingdom	35	4	47	7
Europe	91	12	77	12
North America	383	49	282	45
Latin America	170	22	131	21
Asia	70	9	59	9
Africa	30	4	35	6
Australasia	4	—	3	—
	783	100	634	100

Year to 31 December.

Group and operating group central costs and research and development expenditure are charged in the segments where incurred.
Royalty income less related expenditure is included in the area in which the licensor is located.

B·A·T Industries p.l.c. · Windsor House · 50 Victoria Street · London SW1H 0NL

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

TRADED OPTIONS

EUROPEAN OPTIONS EXCHANGE

Series			June Vol.	June Last	Sept. Vol.	Sept. Last	Dec. Vol.	Dec. Last	Stock
D/FL	C	F.270	1	4.50	—	—	—	—	F.272.15
D/FL	C	F.275	16	2	—	—	—	—	"
D/FL	P	F.260	5	1	—	—	—	—	"
D/FL	P	F.265	2	4	—	—	4	11.10	"
D/FL	P	F.270	3	6.50	—	—	—	—	"
D/FL	P	F.280	110	12	—	—	—	—	"
SILV	C	$10	17	2.10	11	2.45	1	2.90	$11.14
SILV	C	$11	7	1.50	15	1.90	6	2.40	"
SILV	P	$10	—	—	200	0.35 B	—	—	"
SILV	P	$11	15	0.50	—	—	2	1.20	"
			May		Aug.		Nov.		
GOLD	C	$400	25	39	—	—	—	—	$426.25
GOLD	C	$425	146	22	—	—	11	50	"
GOLD	C	$450	14	8	25	26.50	12	39	"
GOLD	C	$475	20	5	27	18	2	28	"
GOLD	C	$500	20	3.50	30	11	29	20	"
GOLD	C	$550	8	1.10	32	5	39	12	"
GOLD	P	$375	3	3	—	—	—	—	"
GOLD	P	$400	11	6	7	14.50	15	19	"
GOLD	P	$425	11	13	11	25	—	—	"
GOLD	P	$450	—	—	—	—	9	35	"
GOLD	P	$475	2	50	—	—	—	—	"
12 3/4 NL 81 87-91									
	C	F.130	20	2.90	—	—	—	—	F.133
	C	F.135	260	0.30	—	—	40	1.80	"
	P	F.130	110	0.80	—	—	—	—	"
	P	F.135	160	2.80	—	—	—	—	"
11 1/4 NL 82 88-92									
	C	F.112.50	100	3	—	—	—	—	F.115.50
	C	F.117.50	100	0.10	—	—	—	—	"
10 1/2 NL 82 86-89									
	C	F.102.50	100	7.10	—	—	—	—	F.109.60
7 3/4 NL 82 89-93									
	C	F.100	30	0.60	3	1.20	—	—	F.100
	P	F.100	—	—	3	1.70	50	2.40	"
	P	F.102.50	50	3.10	—	—	—	—	"
7 1/2 NL 83 87-90									
	C	F.97.50	—	—	50	2.10	—	—	F.99.20
	C	F.100	10	0.30	10	1.10	—	—	"
	P	F.97.50	—	—	657	1.10	15	1.40	"
	P	F.100	80	1.40	50	2.50	—	—	"
			April		July		Oct.		
ABN	C	F.360	—	—	76	15.50	—	—	F.362.50
ABN	P	F.360	—	—	75	15	—	—	"
AKZO	C	F.50	44	9	—	—	—	—	F.59.30
AKZO	C	F.55	128	4.50	—	—	—	—	"
AKZO	C	F.60	310	1.60	152	4.70 A	144	6	"
AKZO	P	F.50	—	—	44	1.80	—	—	"
AMRO	C	F.60	—	—	88	6.40	—	—	F.62.40
AMRO	C	F.65	—	—	302	3.90	63	4.90	"
AMRO	P	F.60	—	—	79	2.60	—	—	"
HEIN	C	F.120	82	18.50	—	—	—	—	F.138.60
HEIN	C	F.130	56	9 A	149	12.50 A	—	—	"
HEIN	C	F.140	—	—	100	7.70	—	—	"
HOOG	C	F.25	—	—	44	2.20	—	—	F.24
KLM	C	F.150	148	3	46	10.50	—	—	F.149.30
KLM	C	F.160	84	0.70	—	—	—	—	"
KLM	C	F.170	—	—	87	3.30	—	—	"
KLM	P	F.140	82	0.80	—	—	—	—	"
KLM	P	F.150	122	3.40	—	—	—	—	"
KLM	P	F.160	77	10.20	—	—	—	—	"
NEDL	P	F.90	—	—	110	3	—	—	F.101.50
NEDL	P	F.100	—	—	115	9	—	—	"
NATN	C	F.130	—	—	76	20.70	—	—	F.149.80
NATN	C	F.150	—	—	69	5	—	—	"
PHIL	C	F.27.50	77	17.40	—	—	—	—	F.45
PHIL	C	F.30	—	—	56	15	—	—	"
PHIL	C	F.35	146	10.20	68	9.80	80	11.30	"
PHIL	C	F.40	178	4.90 B	499	6.30	139	7.80	"
PHIL	C	F.45	—	—	644	3.60	439	4.80	"
PHIL	P	F.35	—	—	—	—	105	0.80	"
PHIL	P	F.40	—	—	—	—	168	1.60	"
PHIL	P	F.45	—	—	134	3	52	3.10	"
RD	C	F.90	—	—	51	21.50 B	—	—	F.110.80
RD	C	F.100	228	11.30	200	12	—	—	"
RD	C	F.110	504	3.20	477	6.40	139	7.50	"
RD	P	F.100	190	0.10	—	—	—	—	"
RD	P	F.110	101	1.90	—	—	155	8.80	"
UNIL	C	F.220	65	1.90	32	9	2	11.50	F.216

TOTAL VOLUME IN CONTRACTS 12,415
A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls April	Calls July	Calls Oct.	Puts April	Puts July	Puts Oct.
BP (USP 352)	260	92	—	—	1	—	—
"	280	72	—	—	1 1/2	—	—
"	300	52	62	70	2	5	9
"	330	24	38	44	3	12	18
"	360	6	16	24	16	22	26
CGF (USP 507)	390	—	130	—	1 1/2	4	—
"	420	90	105	—	1 1/2	8	—
"	460	50	73	83	4	16	18
"	500	20	43	55	10	25	35
"	550	3	18	32	47	55	62
"	600	1	7	13	—	100	—
CTD (USP 95)	70	26	28	30	1	1 1/2	3
"	80	16	18	20	1	2 1/2	4
"	90	7	10	13	1 1/2	4	6
"	100	1 1/2	5	6 1/2	7	10	13
CUA (USP 140)	120	21	26	30	1	1 1/2	2 1/2
"	130	11	18	21	1 1/2	4	8
"	140	3	11	15	6	10	12
"	160	1	4 1/2	8	23	25	27
GEC (USP 206)	180	30	34	42	1	5	8
"	197	12	—	—	4	—	—
"	200	—	20	28	—	10	14
"	217	2	—	—	16	—	—
"	220	—	11	18	—	22	28
"	237	0 1/2	—	—	33	—	—
"	240	—	5	—	—	38	—
"	260	0 1/4	3	—	56	57	—
GM (USP 335)	260	75	—	—	1	—	—
"	280	55	62	—	1	3	—
"	300	35	43	49	2	7	8
"	330	10	23	31	5	15	17
"	360	2	12	18	28	31	34
"	390	1	6	10	—	59	61
ICI (USP 398)	300	100	108	—	1	—	—
"	330	70	78	—	1	4	—
"	360	40	48	58	2	8	10
"	390	13	30	40	4	16	18
"	420	3	15	22	24	30	34
LS (USP 314)	260	56	61	67	1	3	—
"	280	36	41	47	2	5	10
"	300	17	25	33	8	13	17
"	330	2	11	17	18	28	31
M & S (USP 214)	160	55	—	—	1	—	—
"	180	35	40	47	1	4	8
"	200	16	27	34	1 1/2	7	12
"	220	4	12	18	12	16	23
"	240	1	5	—	28	30	—
SHL (USP 480)	390	92	102	110	1	2	4
"	420	62	74	82	1 1/2	4	9
"	460	26	38	46	6	14	18

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
BBL (USP 443)	360	87	97	—	1	2	—
"	390	57	67	—	2	4	—
"	420	30	43	57	4	11	18
"	460	9	20	35	20	30	37
"	500	2	10	22	60	63	75
IMP (USP 116)	90	28	—	—	1	—	—
"	100	18	—	—	1 1/2	—	—
"	110	11	15	17	3	4	6
"	120	5	8	10	8	9	11
"	130	1 1/2	4	5	15	16	18
LMO (USP 258)	210	58	68	75	2	4	12
"	230	40	53	60	4	10	16
"	250	23	36	47	10	17	28
"	270	10	23	30	25	30	43
"	290	3	12	—	38	45	—
"	320	1	4	—	68	75	—
"	350	1	—	—	98	—	—
"	380	1	—	—	128	—	—
LNR (USP 82)	80	5	9 1/2	12	3	6	8
"	90	2	5	6	10	12	14
"	100	0 1/4	2 1/2	3 1/2	19	21	23
P & O (USP 143)	100	45	46	—	0 1/4	1	—
"	110	35	36	—	0 1/2	2	—
"	120	25	26	27	1	4	6
"	130	16	17	20	2	6	9
"	140	8	11	14	5	12	16
"	160	2	4	8	19	23	25
RCL (USP 454)	420	42	57	68	6	14	20
"	460	17	30	40	22	27	34
"	500	4	11	23	50	52	56
"	550	2	4	—	100	102	—
"	600	1	2	—	150	150	—
"	650	1	—	—	200	—	—
RTZ (USP 534)	390	147	—	—	1	—	—
"	420	117	122	—	2	—	—
"	460	77	84	—	5	11	—
"	500	40	54	67	12	20	30
"	550	15	27	40	30	40	47
VRF (USP $110)	60	—	—	—	1	—	—
"	70	—	—	—	1	—	—
"	80	—	—	—	2	—	—
"	90	21 1/2	25	29	3 1/2	5 1/2	7 1/2
"	100	12 1/2	17	21	5	9	11 1/2
"	110	7 1/2	11 1/2	15 1/2	8	12	16 1/2
"	120	3 1/2	8	12	13	16	21 1/2
"	130	2	5 1/2	8	21 1/2	—	29
"	140	0 1/4	3	4 1/2	—	—	—

Option		Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
BHM (USP 388)	360	35	43	52	7	10	11
"	390	18	25	30	20	23	28
GKN (USP 177)	160	22	26	31	3	6	8
"	180	9	14	19	11	14	16

Apr. 7 Total Contracts 2,191 Calls 1,660 Puts 531

INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Assur. Co. Ltd.—cont.

Income Accum	106.1	111.7	+1.2	—
Do. Initial	104.5	110.2	+1.5	—
Man Pens. Accum	227.6	239.4		—
Do. Initial	191.4	201.5		—
Gilt-Edg Pens. Accum	199.0	209.5		—
Do. Initial	161.8	170.4		—
Money Pens. Accum	177.5	186.9		—
Do. Initial	146.8	153.5		—

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man. Fd.	220.02			—
Managed Inv. Fd.	150.77	158.71		—
Property Fd.	146.34	154.05		—
Fixed Interest Fd.	138.15	145.43		—
Cash Fd.	132.37	139.34		—
Income Fd.	155.14	167.20		—
Extra Income Fd.	144.93	152.61		—
Worldwide Growth Fd	214.35	225.14		—
Balanced Fd.	159.65	168.06		—
Smlr Co's & Recy. Fd	192.15	202.27		—
Int. Technology Fd.	239.16	251.75		—
Nth. Amer. & Gen Fd.	160.74	168.78		—
Energy Inc. Fd.	91.12	95.92		—
Pacific Basin Fund	123.92	130.45		—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Equity	94.6	99.6		—
International	113.8	119.8		—
Property	104.8	110.3		—
Deposit	96.4	101.4		—
Fixed Interest	95.1	100.1		—
Managed	102.9	108.3		—
Equity Pens Cap	93.5	98.4		—
Intnl. Pens. Cap.	118.2	124.4		—
Property Pens Cap	106.5	112.1		—
Deposit Pens Cap	95.8	100.8		—
Fixed Int Pens Cap	94.3	99.2		—
Managed Pens Cap	105.6	111.1		—

Cannon Life Group
2-6, High St., Potters Bar, Herts. P Bar 51122

Robert Fleming & Co Ltd.
See Common Page Mon-Fri and Stock Exchange Dealings Page Sat

G.T. Management Ltd.
24 Finsbury Circus, Lond EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	122.2	128.7	-0.7	—
GT Pln High Yld Fnd	110.5	116.4		—
GT Plan Far East Fnd	97.6	102.8		—
GT Pln N Am Fund	146.8	154.6		—
GT Pln UK&G E Fnd	124.4	131.0		—
GT Pln Wrldwide Fnd	126.9	133.6		—
GT Pension Bnd Fnd	120.1	127.3	-0.5	—
GT Pen High Yld Fd	123.9	130.5		—
GT Pen Far East Fd	109.9	115.7		—
GT Pen N. Am. Fd	196.2	206.6		—
GT Pen UK & G E Fd	140.1	147.7		—
GT Pen Worldwide Fd.	134.5	141.6		—

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY 01-488 0733

Intl. Managed Bond	161.30	169.79		—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Guardian Royal Exchange
Royal Exchange, E.C.3. 01-283 7101

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

"Asset Builder"	63.7	67.0	+0.7	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mngr April 1	56.7	61.2		—
MM Flexible April 6	48.8	51.4		—
Fixed Interest April 1	52.6	55.5		—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

Equity	209.5	215.7		—
Fixed Interest	156.1	156.8		—
Property	140.6	145.4		—
Deposit	138.5	138.5		—
Mixed	180.1	185.5		—
Indexed Stk.	113.3	113.8		—

London Life Managed Funds Ltd.

Equity (P.)	148.9	154.1		—
Fixed Int. (P.)	157.2	158.3		—
Property (P.)	117.1	121.1		—
Deposit (P.)	116.0	116.0		—
Mixed (P.)	141.9	145.4		—
Indexed Stock (P.)	119.2	120.0		—

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

OFFSHORE AND OVERSEAS

NOTES

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for April 7.

U.S. DOLLAR STRAIGHTS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | YEN STRAIGHTS | OTHER STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

[illegible]						

LONDON RECENT ISSUES

EQUITIES

[illegible]											

FIXED INTEREST STOCKS

[illegible]							

"RIGHTS" OFFERS

[illegible]							

City of Montreal in C$50m bond issue

BY PETER MONTAGNON IN LONDON

THE CITY of Montreal is raising C$50m through an eight year bond issue to be launched today by Société Générale.

The bonds will bear a coupon of 12¼ per cent and an issue price of par. Overall, international bond markets were quiet yesterday with the only other new feature being a U.S.$20m convertible issue for Copper Lake, a small mining company that is listed on the Vancouver stock exchange.

The issue bears an indicated coupon of 9¼ per cent and carries an unusual warrant feature allowing investors to buy gold mined by the company at a predetermined price to be set when the bond is signed at the end of the month.

Initial grey market prices suggested some speculative interest in the paper but several bankers said they were awaiting further details of the issue which is led by Euro-Canadian Securities of Toronto.

In the secondary market Eurodollar bonds were slightly firmer on small turnover.

Final terms were set in Switzerland yesterday on the issue for DG Bank which is to be for SwFr 70m instead of the SwFr 100m first indicated. The eight year bonds bear a coupon of 5⅝ per cent and issue price 99¾ per cent and the lead manager is Handelsbank.

WEEKLY U.S. BOND YIELDS (%)

	April 6	March 30	1982–83 High	1982–83 Low
Composite Corp. AAA	11.21	11.29	14.88	10.83
Composite Corp. AA	11.44	11.53	15.24	11.18
Government:				
Long-term	10.46	10.60	14.02	10.18
Intermediate	10.14	10.25	14.24	9.91
Short-term	9.66	9.82	14.52	9.23
Municipal	n/a	9.35	12.62	8.92
Industrials AAA	11.01	11.07	14.49	10.55
Industrials AA	11.31	11.39	14.79	10.96
Utilities AAA	11.40	11.52	15.27	11.11
Utilities AA	11.58	11.67	15.69	11.39
Preferred Stocks	10.76	10.78	13.35	10.71

Source: Standard & Poor's

SECTION III CONTENTS

FINANCIAL TIMES

Friday April 8 1983

Pesticide ruling 'may harm public health,' Page 33

WALL STREET

Corporate clouds close in

THE COMING season of first-quarter corporate earnings reports began to trouble Wall Street investors yesterday as a consensus developed that, in a market beset by uncertainties about the direction of interest rates and the Federal Reserve's monetary policy, a profits upturn by the industrial majors was badly needed as an affirmation of faith in a U.S. economic recovery.

Analysts pointed to poor showings by some of the companies which have been reporting ahead of the field, particularly in the high technology sector.

The Dow Jones industrial average, after wavering within a few points of its overnight level throughout the day, finally settled 4.16 higher at 1,117.65, and advancing stocks managed a six to seven lead over declines. But volume dwindled further to some 68m shares from Wednesday's 77.14m, and the underlying tone was described as weaker.

Creditmarkets also underwent a modest downward adjustment after the gains of recent days. Federal Funds, after beginning the settlement week somewhat easier at 8¾ per cent against a Wednesday average of 9.10 per cent, again moved uncomfortably upward despite the Fed's intervention with the arrangement of $1.5bn in customer repurchase agreements at the opening level.

But with Funds at 8⅞ in early afternoon, the authorities bought $320m of short-term bills for a customer account.

Dealers said seasonal factors continued to act as a drain on reserves, and more official involvement could be expected, possibly in the form of coupon or bill sales for the system account instead of merely an indirect operation for a customer.

But the market retained a firm undertone, and the 9¾ per cent notes of 1985 came up to par from 99 27/32 on Wednesday.

The benchmark long bond, the Treasury 10⅜ per cent due 2012, moved beyond 98, while the three and six-month Treasury bills yielded within a few basis points of their overnight levels, with some early gains trimmed.

Demand in the government sector stemmed partly from an insolvency declaration late on Wednesday for the Biscayne Federal Savings and Loan Association, which dealers said served as a reminder to market participants that the financial system continued to embody some very fragile elements.

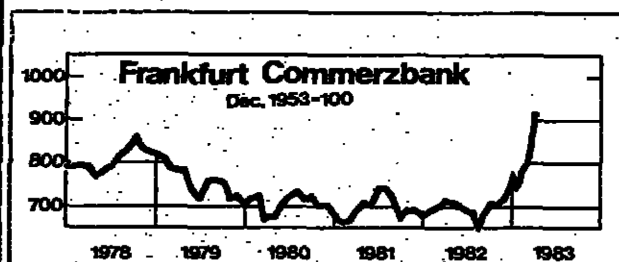
Retailers were a bright spot among the stocks, assisted by higher March sales figures from many of the major chains. K-mart was up $⅝ at $31½, Federated Department Stores $2⅝ at $57⅛ and J. C. Penney $1⅛ at $59¾.

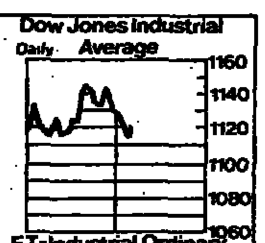
The monitoring of the monthly turnover patterns has been meticulous, however. G. C. Murphy, which reported a 1.4 per cent decline for last month against the trend, shed $½ to $26¼.

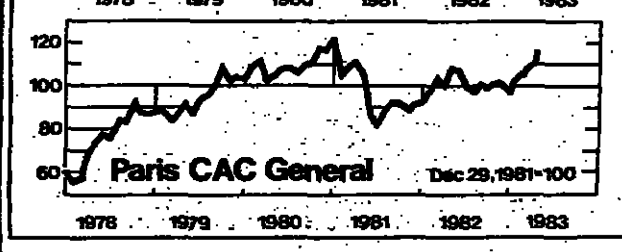
Worries over the fortunes of the technology sector were reflected in selling of Digital Equipment, of $3⅞ at $116⅞; Texas Instruments, down $1⅝ at $160¾.

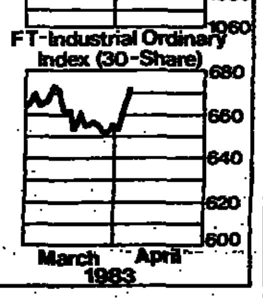
Pronounced weakness in golds held **Toronto** back, although base metals showed only marginal losses. **Montreal** managed a more buoyant tone, with cautious advances evenly distributed throughout the market.

KEY MARKET MONITORS









STOCK MARKET INDICES

	Apr 7	Previous	Year ago
NEW YORK			
DJ Industrials	1117.65	1113.49	839.85
DJ Transport	506.11	501.59	344.58
DJ Utilities	124.35	124.40	110.48
S&P Composite	150.96*	151.05	115.46
LONDON			
FT Ind Ord	672.2	663.9	560.3
FT-A All-share	421.64	415.96	321.19
FT-A 500	*459.14*	*451.89*	*345.30*
FT-A Ind	426.33	418.53	314.19
FT Gold mines	602.6	590.5	259.8
FT Govt secs	81.81	82.03	66.76
TOKYO			
Nikkei-Dow	8442.45	8479.40	7230.53
Tokyo SE	610.67	613.65	532.45
AUSTRALIA			
All Ord.	527.5	523.7	470.4
Metals & Mins.	487.7	487.0	336.8
AUSTRIA			
Credit Aktien	52.71	52.83	53.05
BELGIUM			
Belgian SE	117.67	117.45	101.92
CANADA			
Toronto Composite	2149.1*	2151.1	1586.10
Montreal Industrials	361.69*	361.11	280.56
Combined	356.87*	356.30	267.48
DENMARK			
Copenhagen SE	158.52	127.52	94.98
FRANCE			
CAC Gen	116.6	116.3	100.4
Ind. Tendance	N/A	122.6	113.6
WEST GERMANY			
FAZ-Aktien	306.21	306.24	236.43
Commerzbank	922.5	923.5	720.7
HONG KONG			
Hang Seng	1014.16	998.48	1187.22
ITALY			
Banca Comm.	202.98	204.68	194.50
NETHERLANDS			
ANP-CBS Gen	127.5	127.2	91.9
ANP-CBS Ind	108.3	108.0	72.8
NORWAY			
Oslo SE	154.32	152.11	101.88
SINGAPORE			
Straits Times	869.52	861.97	731.89
SOUTH AFRICA			
Golds	827.2	759.5	467.8
Industrials	835.9	834.8	593.0
SPAIN			
Madrid SE	115.59	114.94	125.34
SWEDEN			
J & P	1260.29	1281.11	581.13
SWITZERLAND			
Swiss Bank Ind	314.0	313.7	281.4
WORLD	Apr 6	Prev	Yr ago
Capital Int'l	165.8	165.5	132.7

GOLD (per ounce)

	April 7	Prev
London	$425.50	$427.50
Frankfurt	$425.75	$428.50
Zürich	$426.50	$427.50
Paris (fixing)	$429.84	$432.25
New York (April)	$427.80*	$429.60

* Indicates latest pre-close figure

CURRENCIES

	U.S. DOLLAR Apr 7	U.S. DOLLAR Previous	STERLING Apr 7	STERLING Previous
£	1.5070	1.5145	–	–
DM	2.4155	2.4150	3.64¼	3.66
Yen	237.6	237.2	358⅛	359½
FFr	7.2400	7.2375	10.91	10.95½
SwFr	2.0460	2.0500	3.08½	3.10½
Guilder	2.7210	2.7240	4.10¼	4.12¾
Lira	1439¼	1439	2169	2.78½
BFr	48.02	47.90	72.40	72.55
C$	1.2367½	1.2350	1.8630	1.8695

INTEREST RATES

	April 7	Prev
Euro-currencies (three month offered rate)		
£	10 9/16	10 9/16
SwFr	4	4 1/16
DM	5 1/16	5 1/16
FFr	14⅞	15⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	9½	9⅝
6-month U.S.$	9 9/16	9¾
U.S. Fed Funds	8⅞	9
U.S. 3-month CDs	8.95	9
U.S. 3-month T-bills	8.34	8.37

U.S. Treasury Bonds

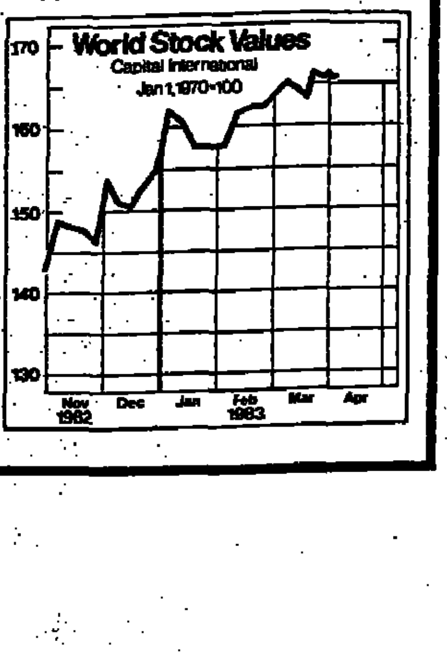
	April 7 Price	April 7 Yield	Prev Price	Prev Yield
9¾ 1985	99 31/32	9.64	99 27/32	9.78
10½ 1990	100 19/32	10.40	100 17/32	10.41
10⅜ 1993	102 11/32	10.48	102 3/32	10.52
10⅜ 2012	98 1/32	10.55	98	10.59

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	77–04	77–15	77–03	77–10
U.S. Treasury Bills (IMM) $1m points of 100%				
June	91.63	91.73	91.60	91.72
Cert Deposit (IMM) $1m points of 100%				
June	90.89	91.05	90.88	91.00
LONDON				
Three-month Eurodollar $1m points of 100%				
June	90.67	90.74	90.65	90.59
20-year Notional Gilt £50,000 32nds of 100%				
June	105–18	106–03	105–17	106–01

LONDON COMMODITY MARKETS

	April 7	Prev
Silver (spot fixing)	736.55p	740.40p
Copper (cash)	£1075.50	£1075.50
Coffee (May)	£1779.00	£1779.00
Oil (spot Arabian light)	$28.50	$28.37



LONDON

Base rate hopes boost equities

MOUNTING optimism about an early cut in UK clearing bank base rates took London markets higher yesterday, and *at noon, the FT industrial ordinary* share index looked poised to move into uncharted territory.

At that time, it was 9.1 up and only 0.6 below its record high, following BAT Industries' excellent preliminary results and surprise three-for-one scrip issue. The announcement generated fresh investment enthusiasm, which had shown signs of flagging after a promising early trade.

Money market interest rates were a key influence throughout, but hopes that the authorities would reduce their intervention rate levels proved to be unfounded. Short-term market rates subsequently hardened to close higher on balance, and equity markets later lost some of their enthusiasm.

The result was that the FT index gave up part of the rise to close a net 8.3 up at 672.2 still only 1.4 off its best-ever mark. Broader-based measurements of the equity market went to new records, including the FT-Actuaries All-share and 500 share indices.

Strengthening interest rate optimism led to a reversal of sterling's recent impressive recovery, which tempered investment in Government securities. Early demand, some on overseas account, was soon satisfied and quotations later drifted lower, help by profit-taking after the *previous four-day advance. Longer-*dated gilts closed around ¼ lower, but falls among the shorts were generally limited to 3/16. Index-linked issues continued in favour and gained a maximum of ⅜.

In equities, BAT Industries spurted 65p to 715p, after 725p, after its preliminary results, which were well in excess of market estimates. Other tobaccos benefited, with Imps, already standing a couple of pence to the good, ending 6p up at 115p, and Rothmans 8p to 110p.

Strong overnight transatlantic buying *of golds followed through into London* and led to renewed gains in South African golds and financials, for the fifth successive trading day.

The re-opening of the Johannesburg market gave an additional boost to share prices and the Gold Mines index advanced 12.1 more to 602.6 – a five-day gain of over 71 points.

Leading Australians closed with little overall change, but were reported to be attracting good interest in the after-hours' business.

Share information service, Pages 34-35

AUSTRALIA

Solid gains

SHARE prices posted further solid gains in Sydney but the advances were the result of a lack of sellers, rather than any big buying interest. The All Ordinaries index ended at 527.5, compared with the previous 523.7.

Investors are holding back until after next week's national economic summit of business, union and government leaders, which is expected to set the tone of the economic policies to be adopted by the Labor Government.

Gold stock speculators were also out of the market, awaiting a firm indication of which way world bullion prices are headed.

In **Melbourne**, oil and gas issues and golds, continued to firm. Gains outnumbered declines in the oil sector by 28 to four, and overall by 120 to 86.

SOUTH AFRICA

Golds higher

THE BULLION price recovery in London and the U.S. led gold shares sharply higher in **Johannesburg** yesterday – its first post-Easter trading session. Randfontein advanced R9 to R156 and West *Rand Consolidated was R1.30 higher at* R9.80.

The higher trend spilled over to most other mining and financial sectors. De Beers rose 12 cents to R8.85, Lydenburg Platinum 40 cents to R8.90 and Anglo American 90 cents at R21.55. Industrials remained directionless.

FAR EAST

Tokyo backs away from blue chips

SHARE prices declined during a heavy day's trading in Tokyo as investors backed off blue chip issues to buy lower priced shares. Electricals, precision instruments and pharmaceuticals all eased while electric railway and paper and pulp issues gained.

Foreign investors, in particular, have focused on the railway issues because the companies not only have large holdings of fixed assets, but have also been moving to develop cable television.

Oils and natural resource developers *generally fell on profit-taking following* Wednesday's sharp rises, though Teikoku Oil rose Y100 to Y846 after an announcement that it had found a large natural gas deposit off Northern Japan.

First section turnover totalled about 500m shares, compared with Wednesday's 350m.

Analysts believe that the Tokyo Stock Exchange has now entered a period of consolidation after its recent highs, with downward corrections likely to be triggered by Wall Street declines. But they think that eventually, the market is likely to resume its climb, particularly if signs emerge of improvements in the domestic economy and Japanese exports.

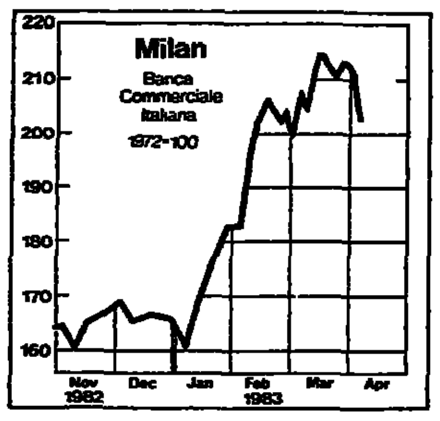
The analysts point to the market's mixed fortunes this week, with falls alternating with rises after Monday's record market average – as supporting the idea of consolidation.

However, they note that there has been no sign of any widespread selling and turnover has been low, with market participants still encouraged by likely future developments.

Overseas buying, mainly of blue chips, enabled **Hong Kong** to close steady though the volume of business remained small. The depressing effect of poorer than expected corporate results recently appears now to have subsided.

The Hang Seng index closed up 15.68 at 1014, with the rise led by property stocks. Cheung Kong gained 45 cents to HK$10.10, Hongkong Land 8 cents to HK$4.25, Hung Hung Kai Properties 15 cents to HK$7.05 and Swire Properties 30 cents to HK$6.50.

In **Singapore**, prices closed narrowly mixed after fluctuating uncertainly in a *market which again saw both buying* support and profit-taking. At the close, the Straits Times industrial index was up 7.55 at 869.52.



EUROPE

Pause in Frankfurt advance

INVESTORS took a pause for breath in **Frankfurt** yesterday and the Commerzbank index, calculated at midsession, *slipped 1.0 to 922.50 from the 22-year* high reached on Wednesday. Leading shares ended narrowly mixed although banks and chemicals did well, against the trend.

In motors, West Germany's leading manufacturer, Volkswagen, slipped DM 3.70 to DM 178.30 ahead of the announcement that no dividend will be paid this year, for the first time since 1975. Among other motor manufacturers, BMW closed DM 3 lower at DM 302.50, although this was DM 1.50 above opening levels, and Daimler rose DM 1 *to DM 516.*

Dresdner Bank firmed 70 pf to DM 174.20, following the sector's recent healthy results, but BHF fell DM 3.50 to DM 271 ahead of 1982 figures which are expected soon. Other banks met some late profit-taking after performing well earlier in the day.

In stores, Wednesday's strong performer, Kaufhof, fell 30 pf to DM 250.50, but Karstadt rose DM 3 to DM 277 and Horten DM 4 to DM 146.50.

Bond prices were mixed in quiet trading, with the market lacking any impetus from domestic or foreign investors.

The lower overnight Wall Street close left share prices mixed in quiet trading in **Amsterdam** though few major movements were seen. In internationals, KLM declined Fl 3.20 to Fl 149.30 while ABN rose Fl 2 to Fl 362.50. Amro declined 30 cents to Fl 62.40, ex its Fl 1.50 interim dividend.

Publisher Elsevier jumped Fl 14.50 to Fl 289.50 towards the end of the trading day. Demand for the stock came from French investors following a favourable report on the company in a French publication. The price movement *was, however,* exaggerated by the normally thin turnover in Elsevier stock.

Domestic share prices were steady in **Brussels**, while foreign prices were higher. Stock of the electrical holding company, Electrobel rallied, gaining BFr 280 to BFr 5,610.

Prices were also steady in **Paris**, though trading was quieter than in recent days, despite some profit-taking. Prices were said to be benefiting from foreign purchases which outweighed the negative effect of Wall Street's overnight fall.

Investors stayed on the sidelines in **Zurich** awaiting interest rate developments. Banks and insurances closed mostly very steady.

In **Milan**, prices were widely lower for the third successive day as operators liquidated long positions in the market. The prospect of continued high interest rates was cited as the dampening of investor interest. Prices held up in the fairly active bond market, although convertibles fell back.

In **Stockholm**, a half-point cut in the discount rate to 8½ per cent had little impact on a thin market

However, in **Madrid**, prices firmed as the number of stocks traded rose to 166 from Wednesday's 144, with 52 rises, 24 *falls and 90 unchanged.*

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12½	5½	AAR	.44	4.1	16	11	10¾	10½	10¾	−⅛
38	27½	ACF	2.75	8.8	8	184	31½	31¼	31½	−⅛
20	12¼	AMF	1.36	8.0	32	2132	17¼	16½	17	
28⅝	13¼	AMR Cp				4170	28	25⅞	28	+2⅛
14⅝	4	AMR wt				1068	14⅝	12¾	14⅝	+1⅝
18¼	12⅞	AMR pf	2.18	12		18	17¾	17⅝	17⅝	+⅛
32⅞	24⅝	AMR pf	2.13	6.5		1719	32½	30⅞	32½	−⅞
6⅝	2½	APL				50	5⅜	5½	5⅜	
47⅞	24¾	ARA	2	4.3	13	226	46¼	45⅞	46¼	−⅛
79⅝	34½	ASA	3a	4.5		749	66	64⅝	66	+½
26¼	12⅞	AVX	.32	1.3	30	105	25	24⅞	24⅞	
44⅞	27⅞	AbtLab	1	2.3	18	1348	42⅞	42½	42⅞	+⅛
29¾	26⅝	AccoW	n.12e	.4	20	63	27½	d26½	26¾	−⅛
22½	15⅝	AcmeC	.40	1.9	23	125	21¼	20⅝	20⅝	−⅛
12½	5¼	AcmeE	.32b	2.9	29	22	11⅛	10⅞	11	
17⅞	4¼	AdmDg	.04	.2	15	313	17⅜	16⅝	16½	−1
17⅞	12½	AdaEx	1.73e	11		45	15⅝	15¼	15¼	
9⅝	4⅜	AdmMl	.20e	2.1	13	39	9½	9¼	9½	
23⅜	12½	Advest	s.16	.7	15	47	22¾	22½	22½	+⅛
35¼	13	AMD	s		48	2214	31¾	31	31¼	−⅛
45¼	32⅞	AetnLf	2.64	6.8	8	1001	39⅝	38	38⅞	+⅞
65	52⅞	AetL	pf3.70a	6.5		176	57¼	57	57	+⅛
37⅜	9	Ahmns	.60	1.8		1371	33½	32¼	33½	+1½
4	2⅛	Aileen				100	3⅛	3	3	−⅛
45⅝	23⅜	AirPrd	.80	2.1	11	968	38⅝	38¼	38⅜	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

A-A-A B-B-B C-C-C D-D-D E-E-E F-F-F G-G-G H-H-H I-I-I J-J-J K-K-K L-L-L M-M-M N-N-N O-O-O P-Q R-R-R

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

O-O-O P-Q R-R-R S-S-S T-T-T U-U-U V-V-V W-W-W

Continued on Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

CANADA · DENMARK · NETHERLANDS · AUSTRALIA · JAPAN (continued) · FRANCE · NORWAY · HONG KONG · SPAIN · GERMANY · SWEDEN · SINGAPORE · AUSTRIA · BELGIUM/LUXEMBOURG · ITALY · SWITZERLAND · JAPAN · SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Industries	715	+65
Barratt Dev.	520	+ 8
British Home Stores	221	+ 8
Charter Consolidated	240	+10
Dreamland	18	+ 6
Glaxo	870	+10
Grand Metropolitan	334	+ 7
Imperial Group	115	+ 6
Ladbroke	200	+10
Standard Telephones	250	+10
Sun Alliance	£11	+ 0½
Turner and Newall	40	− 1

WEDNESDAY'S ACTIVE STOCKS

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Glaxo	27	860	+25
BP	23	352	+ 8
Lasmo	21	260	+20
Distillers	20	250	+19
GUS "A"	19	558	+20
Sun Alliance	19	£10⅞	+ 0½
Exco	18	688	+25
Royal Insce.	17	503	+13
Burmah Oil	16	178	+ 2
Datastream	16	242	—
GEC	16	202	+ 2
Mk. & Spencer	16	209	+10
Tnr. & Newall	16	41	+ 4
BAT Industries	15	650	—

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (74)

BRITISH FUNDS (1)
Exch. 3pc '84

BANKS (1)
Hill Samuel

FOREIGN BONDS (5)
Greek 7pc Ass. · Iceland 14½pc Ln 2016
Do. 6pc Stb. Ass. · Ireland 7¾pc '81-'83
Do. 4pc Mixed Ass.

BREWERS (1) · BUILDINGS (6) · CHEMICALS (1) · FOODS (3) · STORES (4) · ELECTRICALS (4) · ENGINEERING (3) · HOTELS (1) · INDUSTRIALS (14) · INSURANCE (1) · LEISURE (1) · MOTORS (1) · NEWSPAPERS (2) · PAPER (2) · PROPERTY (2) · TEXTILES (2) · TRUSTS (6) · OIL & GAS (1) · PLANTATIONS (1)

MINES (2)
De Beers Defd. · Kamunting

NEW LOWS (6)

BRITISH FUNDS (1)
Exch. 2½pc '87

ELECTRICALS (1)
Io Technology

STORES (2)
Acsis Jewellery · Grattan

ENGINEERING (1)
Richards (Leicester)

INDUSTRIALS (1)
AIM

RISES AND FALLS

	Rises	Falls	Same
British Funds	11	73	14
Corpns. Dom. and Foreign Bonds	22	—	57
Industrials	465	170	758
Financial and Prop.	165	67	288
Oils	38	18	54
Plantations	3	1	18
Mines	54	22	77
Others	53	63	57
Totals	751	414	1,323

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur April 7 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed April 6 Index No.	Tues April 5 Index No.	Thur March 31 Index No.	Wed March 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	454.87	+1.8	8.57	3.74	14.73	446.62	445.57	440.41	442.85	362.75
2	Building Materials (23)	442.15	+2.2	9.42	4.36	12.85	432.57	431.98	433.28	431.70	322.83
3	Contracting, Construction (30)	792.44	+2.0	11.31	4.24	10.63	776.78	774.88	768.87	769.71	595.75
4	Electricals (33)	1656.41	+2.4	7.20	2.10	17.86	1617.71	1598.74	1602.87	1591.22	1264.78
5	Engineering, Contractors (10)	464.84	+3.8	15.10	6.44	8.10	447.13	444.30	440.26	442.37	409.86
6	Mechanical Engineering (64)	218.64	+0.8	10.75	5.27	11.55	216.89	214.69	214.81	213.57	189.96
8	Metals and Metal Forming (11)	187.40	+1.2	10.14	6.12	12.03	185.32	186.83	186.15	183.51	158.25
9	Motors (18)	96.91	−0.1	0.42	6.46	—	97.01	96.28	96.02	95.98	94.29
10	Other Industrial Materials (17)	440.47	+0.5	7.34	4.83	18.10	438.33	439.88	426.65	426.87	368.45
21	CONSUMER GROUP (201)	428.46	+2.1	9.75	4.22	12.47	419.46	413.46	413.58	418.65	297.41
22	Brewers and Distillers (23)	449.54	+1.3	11.28	4.76	10.83	443.78	433.23	434.51	432.38	302.85
25	Food Manufacturing (21)	343.81	+1.1	13.52	5.58	8.68	339.42	338.98	341.75	339.60	271.62
26	Food Retailing (14)	843.49	+2.8	7.55	2.88	16.64	820.90	818.57	823.80	825.37	598.29

Further sections: 27 Health and Household Products · 29 Leisure · 32 Newspapers, Publishing · 33 Packaging and Paper · 34 Stores · 35 Textiles · 36 Tobaccos · 39 Other Consumer · 41 OTHER GROUPS · 42 Chemicals · 44 Office Equipment · 45 Shipping and Transport · 46 Miscellaneous · 49 INDUSTRIAL GROUP (486) · 51 Oils · 59 500 SHARE INDEX · 61 FINANCIAL GROUP · 62 Banks · 63 Discount Houses · 65 Insurance (Life) · 66 Insurance (Composite) · 67 Insurance Brokers · 68 Merchant Banks · 69 Property · 70 Other Financial · 71 Investment Trusts · 81 Mining Finance · 91 Overseas Traders · 99 ALL-SHARE INDEX (750)

FIXED INTEREST

PRICE INDICES: 1 British Government 5 years · 2 5-15 years · 3 Over 15 years · 4 Irredeemables · 5 All Stocks · 6 Debentures & Loans · 7 Preference

AVERAGE GROSS REDEMPTION YIELDS: British Government Low Coupons, Medium Coupons, High Coupons (5, 15, 25 years) · Irredeemables · Debs & Loans · Preference

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

FINANCIAL TIMES STOCK INDICES

	April 7	April 6	April 5	Mar. 31	Mar. 30	Mar. 29	year ago
Government Secs.	81.81	82.03	80.97	80.82	80.50	79.93	66.76
Fixed Interest	83.47	83.41	82.89	82.74	82.55	82.29	67.35
Industrial Ord.	672.2	663.9	654.0	655.1	651.0	652.1	560.3
Gold Mines	602.6	590.5	582.5	559.7	546.1	581.5	259.8
Ord. Div. Yield	4.75	4.81	4.88	4.88	4.91	4.89	5.60
Earnings, Yld.% (full)	9.51	9.98	10.13	10.13	10.35	10.31	11.18
P/E Ratio (net) (*)	12.80	12.12	11.93	11.94	11.67	11.71	11.19
Total bargains	27,336	27,805	26,305	25,286	24,407	24,713	16,052
Equity turnover £m.	—	264.37	327.92	204.91	342.94	187.60	94.38
Equity bargains	—	24,086	27,096	24,395	23,306	22,237	11,419
Shares traded (ml)	—	174.6	181.7	141.4	182.7	160.0	75.2

10 am 670.1. 11 am 670.8. Noon 673.0. 1 pm 673.2. 2 pm 673.0. 3 pm 673.2.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/58. SE Activity 1974.

Nil=11.95

Latest Index 01-248 8026.

HIGHS AND LOWS

	1982/3 High	1982/3 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	85.84 (5/11)	61.89 (5/1/82)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.02 (12/11)	62.79 (7/1/82)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	673.6 (15/3/83)	518.1 (5/1/82)	673.6 (15/3/83)	49.4 (26/6/40)
Gold Mines	734.7 (15/2/83)	181.2 (22/6)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	April 6	April 5
—Daily		
Gilt Edged Bargains	210.0	186.7
Equities Bargains	156.1	176.6
Value	534.4	662.8
5-day Avrge		
Gilt-Edged Bargains	187.1	185.0
Equities Bargains	157.0	154.3
Value	536.7	505.5

NEW YORK AND CANADA

Indices

NEW YORK—DOW JONES: Industrials · Transport · Utilities · Trading vol 000s

STANDARD AND POORS: Industrials · Composite

N.Y.S.E. ALL COMMON · RISES AND FALLS · MONTREAL Industrials, Combined · TORONTO Composite

	Apr 7	Apr 6	Apr 5	Apr 4	1982-83 High	1982-83 Low
MONTREAL Industrials	363.58	361.11		361.94	368.59 (15/2/83)	248.88 (21/6/82)
Combined	357.58	356.3	−	357.75	360.8 (7/3/83)	237.27 (21/6/82)
TORONTO Composite	2155.8	2161.1		2156.0	2178.8 (7/3/83)	1355.7 (21/6/82)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

NEW YORK CLOSING PRICES

Continued from Page 31

COMMODITIES AND AGRICULTURE

Fall in wool output expected

AUSTRALIAN wool production is expected to fall by 4-6 per cent in the 1983-84 season starting July 1, to between 595m-612m kilos.

Mr David Asimus, Australian Wool Corporation (AWC) chairman, said the drought had affected 87m sheep, half the country's wool sheep. AWC stocks now amount to 1.02m bales, down from a peak of 1.06m at Christmas, and should fall further to between 950,000-1m bales towards the end of the season.

● INTERNATIONAL lending agencies that suggest reduced food subsidies for developing countries should urge cuts in arms spending instead, says Mr Edouard Saouma, FAO director-general.

● JAPAN is considering reducing or ending a 4 per cent tariff imposed on imported palmoil.

● AN EEC delegation in Bangkok will discuss Community financing of Thailand's plan to substitute 16,200 hectares of tapioca with rubber.

● THE CHICAGO Board of Trade is to introduce a 1 kg gold futures contract on April 12.

● CHINA has resumed work on four chemical fertiliser plants, three ethylene plants and one acrylic acid plant. Work was halted in 1980 under the economic retrenchment programme.

● THE NATIONAL Soyabean Processor's Association has filed a complaint with the U.S. government challenging the oilseed trade practices in Argentina, Brazil, Canada, Malaysia, Portugal and Spain.

● THE COUNTRY Landowners' Association will fight "tooth and nail" the Labour Party's proposal to nationalise tenanted land, Lord Middleton, the CLA president, pledged yesterday.

● THE PAYMENT in kind programme will be scaled back next year and will possibly not include certain commodities, says U.S. agriculture secretary Mr John Block.

EEC boost for pork exports wanted

BY OUR COMMODITIES STAFF

SUBSIDISED EXPORTS of pig meat to the Soviet Union and other Eastern bloc countries could help lift British pig farmers out of their present depression, according to Mr Jim Blanchard, chairman of the National Farmers' Union pigs committee.

But he said this could happen only if the subsidies were raised to levels which would allow UK exporters to compete with non-Community supplies. A decision on this is expected next month.

Mr Blanchard is quoted in an article in this week's Farming News as saying: "These markets behind the Iron Curtain have been identified as likely new ones for the Community's pig meat.

"The market is there. Now it depends on whether the EEC increases in export restitutions will be large enough."

Apart from the Eastern bloc, he thought there were good export opportunities in Japan and the Philippines.

Mr Blanchard repeated his call to Mr Peter Walker, the UK Agriculture Minister, to help pig farmers by allocating financial aid to establish modern processing plants which measured *up to* EEC export standards and to remove the burden of paying veterinary inspection costs at the plants.

"And it is no good him telling the pig processing industry to go out to *new sites in development areas*," he declared. "The industry does not have the capital to start up again."

He insisted that British farmers produced "the best and most consistent pig"

"The Government must now take the responsibility of ensuring the processing side is put on an equal footing with other exporting countries."

Cut in cotton acreage

WASHINGTON—The International Cotton Advisory Committee (Icac) monthly report projects a decline in 1983-84 world cotton acreage and record world usage.

The cut in world plantings is due primarily to the widespread sign-up by producers in the payment-in-kind (PIK) programme *which assures a significant* decrease in U.S. cotton acreage, the report said.

It expects textile business to pick up this year as the world economic situation improves, with increases in demand and mill activity already reported in some countries.

The Icac estimates 1983-84 world cotton consumption at 66.1m bales (478 lbs net wt), up from last season's 65.4m, with most of the gain from China, the USSR, Pakistan, India, Brazil and the U.S.

Chinese textile capacity has expanded rapidly recently
Reuter

Pesticide ruling 'may harm public health'

BY RICHARD MOONEY

AN EEC Commission ruling which threatens voluntary pesticide safety arrangements by members of the British Agrochemicals Association (BAA) could jeopardise public health and safety, says the association.

The commission has told the BAA that its members are *breaking free trade rules by* supplying the only crop protection products cleared under the Government's Pesticides Safety Precautions Scheme (PSPS) and by refusing to supply such products to distributors not registered under its own British Agrochemical Supply Industry Scheme (Basis).

The association is to ask the commission to exempt its members from Article 85 of the Treaty of Rome, which outlaws adherence to the PSPS and to delay implementation of its objections to the Basis.

Mr Chris Major, association director, says the problems have arisen because the EEC has failed to introduce a Community-wide pesticide registration scheme and the UK Agriculture Minister has decided not to introduce statutory support for present control arrangements.

"The association wrote to *Mrs Peggy Fenner, Parliamentary Secretary at the Ministry,* as long ago as March 1982, suggesting that without additional statutory support the EEC Commission would not allow the UK pesticide control arrangements to continue unaltered," Mr Major said, recently

Such legislation was "inevitable" and would have the full support of the industry.

The association has been advised not to take action against any member company failing to follow its code of practice in relation to the PSPS and Basis.

World tea production increases

WASHINGTON—Tea production last year in leading countries rose 3.6 per cent to an estimated 1.9m metric tons from 1.8m tons in 1981, according to the U.S. Agriculture Department.

Production increased in all regions, although some individual countries showed declines, the department's foreign agricultural service said.

India remained the largest tea producer with 567,000 tons, up from 561,000 in 1981.

Other production included: China, 381,000 tons (343,000 in 1981); Sri Lanka, 188,000 (210,000); Japan, 105,000 (102,000); and "other" Asian countries 146,000 (162,000). Kenya, 96,000 (91,000); Malawi, 38,000 (32,000); Mozambique, 20,000 (22,000); Zimbabwe, 11,000 (10,000), "other" African countries, 47,000 (46,000). Reuter

Tomato proposals welcomed

By Our Commodities Staff

BRITAIN'S FOOD Manufacturers' Federation (FMF) has welcomed an EEC Commission proposal to modify the system for paying production aid on tomato concentrate output.

Under the proposed system, aid would be paid on the raw material used in processing instead of the finished product.

This would answer FMF criticisms of the existing scheme which it says favours lower concentrations and small pack sizes. It would also eliminate distortions caused by variations in container weights.

But the federation has told the Ministry of Agriculture that it cannot comment on commission proposals for determining representative prices for the Community market, as it considers them too vague.

Unsympathetic criticisms exacerbate pig farmers' feelings of grievance

Farmer's viewpoint: By John Cherrington

BRITAIN'S pig farmers have good reason to feel aggrieved. *They are facing a cut of some* 10 per cent in market prices while feed costs have increased by at least the same amount—a formula, which unless relieved, will put the survival of many of them at risk.

They feel particularly upset because the National Farmers' Union and Mr Peter Walker, the Agriculture Minister, speaking with surprising unanimity, blame them for the difficulties in which they find themselves. Their output has risen, their marketing is poor and they do not take enough advantage of export and Common Market, it is claimed.

The pig farmers retort that they appear to be singled out for special treatment, of unbelievable harshness if they increase their production. *Where, they demand plaintively,* are the curbs on the production excesses of the cereal milk, beef and other subsidised farmers.

In fact the cereal regime, with intervention buying and subsidised exports, has so reduced UK feed grain supplies that market prices are bounding upwards; the weakness of sterling has compounded the situation by pushing up the price of the imported cereal substitutes.

A contributing factor to the poor pigmeat market has been the weakness of the wholesale meat market generally, in particular, that for New Zealand lamb which has been priced well below the levels ruling last year.

The New Zealand Meat Board has announced that it sold 22 per cent more lamb in the UK in the 16 weeks to February 12 than in the same period last year. On top of that, 4 per cent more UK lambs were slaughtered and although exports increased slightly, they were not sufficient to compensate for the increased supplies.

The weakness of New Zealand lamb prices was entirely due to an increase of 40 per cent in New Zealand lamb imports in 1982 amounting to 80,000 tonnes. This was partly due to the NZ Meat Board having to find a home for large supplies originally destined for Iran.

The board now controls the purchase and sale of all New Zealand supplies, with the meat companies acting as agents. It is believed that the supplies of last season's lamb are almost exhausted but with new season's killings, which up to March 5 were up by 32 per cent, the pressure to send more to Britain must be extreme.

It is to be hoped that Iran will prove a better customer this year.

There is no question yet of New Zealand farmers being forced or even asked to reduce their output in a bid to increase prices. The New Zealand meat and wool sectors are already heavily subsidised by what are called supplementary minimum payments which last year are estimated to have amounted to about 20 per cent of total returns.

The New Zealand Government has been forced to continue this policy, initiated by the last Labour administration, in an effort to maintain the country's overseas earnings.

Even so the price level guaranteed does not seem to be sufficient to maintain the optimum level of fertiliser use to secure full production, and uptake is falling.

The price New Zealand farmers were getting for lambs last year was about $NZ20 per head or just over £8 — about 30 per cent of the price received by British farmers for the same type of animal.

When it is realised that input costs for basic farm resources are the same in both countries *I can't help wondering just how* long New Zealanders will be able to carry on this production. No such considerations worry British sheep farmers. They have an open-ended guarantee to insulate them from the realities of the real world in the EEC sheep regime. I benefit from it myself and although I deplore this subsidisation I would be extremely foolish to refuse its benefits.

It is all very well for Mr Walker to call for better marketing and exports but where is more meat to be sold? Consumption of all meats in the EEC except for Greece appears to be falling significantly according to the latest MLC figures.

British consumption per head *is the lowest except for Greece* and this is particularly so for *pigmeat, where less than half* of Germany's intake is consumed, most other Northern EEC countries consume 50 per cent more. Prices there are little better than they are here. There are no identifiable viable markets for meat world wide.

The only prospect which could encourage pig farmers is the statistic that over the past few weeks slaughterings of sows and boars, breeding animals, is up by 20 per cent and still rising.

Within about a year, this should begin to restrict supplies enough to Mr prices — always provided New Zealand refrains from dumping lamb in this direction.

PRICE CHANGES

BRITISH COMMODITY MARKETS

AMERICAN MARKETS

	Close	High	Low	Prev
Sept	377.6	381.0	375.4	379.0
Dec	391.6	394.0	389.0	391.6
March	402.4	405.0	400.4	403.0
May	407.4	411.4	407.4	408.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
April	1124.0	1114.0	1114.0	1121.0
May	1130.0	1138.0	1113.0	1128.0
June	1139.2	1145.0	1130.1	1137.2
July	*1148.5*	*1157.0*	*1135.0*	*1146.5*
Sept	1167.3	1175.0	1151.0	1165.3
Dec	1195.6	1204.0	1180.0	1193.6
Jan	1205.1	—	—	1203.1
Mar	1224.5	1232.0	1217.0	1222.5
May	1244.0	1250.0	1248.0	1242.0
July	1263.5	1265.0	1265.0	1261.5

SPOT PRICES—Chicago loose lard 17.00 (16.50) cents per pound. New York tin 645.0-50.0 (639.0-45.0) cents per pound. Handy and Harman silver bullion 1123.0 (1117.0) cents per troy ounce.

More jobs go at Rolls-Royce

EIGHTY-EIGHT redundancies were announced yesterday among shop floor workers at the Rolls-Royce Motors diesel division in Shrewsbury. This brings Rolls-Royce redundancies in Shrewsbury to about 1,200 in four years.

Management said the job cuts were necessary because of the depressed state of the market which had not been helped by recent road tax changes. *Extra lorry sales expected from the increase in* gross weight have yet to be seen.

Mr Derek Woodvine, area official of the Amalgamated Union of Engineering Workers, said the redundancies made a mockery of the Confederation of British Industry statement that the economy was on the upturn.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1982/83 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅞	92⅞	Treasury 9¼pc '83	99[illegible]		9.27	9.89
104⅝	96⅞	Exch 13½pc '83	102[illegible]		13.26	10.34
101¼	91⅞	Exch 10pc 1983	99[illegible]		10.02	10.20
98¾	87⅝	Funding 5½pc '82-84‡‡	97⅛	-⅛	5.66	9.39
103¼	91⅞	Exch. 11¼pc 1984	101		11.14	9.96
107¼	96¼	Exchequer 14pc 1984	103[illegible]	-⅛	13.53	10.66
94¾	81⅛	Exch. 3pc 1984	94[illegible]	+¼	3.17	7.65
105¼	91½	Treasury 12pc 1984	102[illegible]	-[illegible]	11.74	10.31
112	96¼	Treasury 15pc 1985	107	-⅛	14.02	10.76
112¼	103	Exch. 12pc Cnv '85	104¾	-¼	11.46	9.25
91¼	73½	Treasury 3pc 1985	89¼		3.34	8.38
105½	87½	Treasury 11½pc 1985	101¼	-¼	11.36	10.85
102	95½	Treas. 8¾pcCnv '85	97⅝	-¼	8.96	9.83
107⅝	88⅝	Exch 12¼pc 1985	102[illegible]	-[illegible]	11.94	11.07
106⅝	86⅛	Exch. 11¾pc '86	101[illegible]	-⅛	11.53	10.93
89½	69	Treasury 3pc 1986	86	-¼	3.49	8.18
27[illegible]	26	Exch 10½pc Cv '86 £25pd	27[illegible]	-¼	10.46	10.16
107¼	86¼	Treasury 12pc '86	102[illegible]	-⅛	11.70	11.01
100	80⅝	Treasury 8¼pc '84-86‡‡	95¼	+¼	8.92	10.20
116¾	96⅞	Treas. 12¼pc '86 Cnv.	110¼	-¼	11.11	8.59
114	91⅞	Exch. 14pc 1986	108[illegible]xd	-[illegible]	12.91	11.08
112	90	Exch 13¼pc 1987	106[illegible]	-[illegible]	12.45	11.10
84[illegible]	82⅝	Exchequer 2½pc 1987	82⅝	-⅛	3.03	7.76
103½	95⅞	Exch. 10½pc 1987	98[illegible]	-[illegible]	10.61	10.82
99	97¼	Exch 10½pc 1987A	98[illegible]	-[illegible]	10.63	10.86
93⅛	73⅝	Funding 6½pc '85-87‡‡	89¾xd	-⅛	7.24	9.61
85¼	64½	Treasury 3pc 1987	81½	-½	3.68	8.23
109	85⅞	Treas. 12pc 1987	103[illegible]xd	-[illegible]	11.60	11.02
98	72½	Treasury 7¾pc '85-88‡‡	90¼	+¼	8.59	10.36
		Five to Fifteen Years				
102¼	95½	Exch 10½pc '88	97xd	-¼	10.72	11.05
81½	60¼	Transport 3pc '78-88	80½	-¼	3.76	7.80
99	91	Treas. 9½pc '88	93½xd	-⅛	10.11	10.99
107⅞	79⅞	Treasury 11½pc 1989	102	-¼	11.43	11.35
85⅝	62½	Treasury 5pc '86-89	78¼xd	-¼	6.38	9.53
117¼	85⅞	Treasury 13pc 1990‡‡	110⅛	-⅛	12.13	11.43
112	85⅝	Exch. 12½pc 1990	105⅛	-⅛	11.93	11.47
98[illegible]	70⅛	Treasury 8¼pc '87-90‡‡	90½	-⅛	9.38	10.69
110¼	77⅞	Treasury 11¾pc 1991	104[illegible]	-⅛	11.60	11.48
84⅞	59¼	Funding 5¾pc '87-91‡‡	76¼	-¼	9.50	10.66
104⅛	76⅛	Exch. 11pc 1991	98[illegible]xd	-¼	11.15	11.25
116⅞	81⅞	Treasury 12¾pc '92‡‡	110½	-½	11.82	11.31
102¼	70	Treasury 10pc 1992	96⅛	-½	10.54	10.91

LOANS—Continued

1982/83 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Financial				
103¾	95½	FFI 14pc '83	102	+⅛	13.67	10.22
95	80	FFI(UK Fed)6½pcDb '81-84	95	.....	6.75	11.20
103½	82½	Do. 10¾pc Uns.Ln. '86	101	.....	10.67	11.20
105	78	Do. 11pc Uns.Ln. '88	102	.....	11.06	11.10
106	78	Do. 11¾pc Uns.Ln. '90	102	.....	11.87	12.00
108¼	82	Do. 12½pc Un. Ln. 1992	102½	.....	12.28	12.28
83	54	Do. 7¾pc A Deb '89-92	76¼	.....	9.85	11.60
79½	53	Do. 7¼pcADeb '91-94	73¼xd	.....	9.90	11.50
90	62	Do. 9pc 'A' '91-94	84xd	.....	10.71	11.55
87¼	57[illegible]	Do. 8¾pcLn. '92-97	81	.....	11.17	11.80
		Building Societies				
102⅝	100[illegible]	Nat'wide 14¼pc 25.4.83	100¼xd	.....	—	—
102¼	99[illegible]	Do. 13¾pc 23.5.83	100⅛	.....	13.82	10.84
102⅞	100⅛	Do. 13[illegible]pc 13.6.83	100⅛	.....	13.88	11.49
102¼	100⅛	Do. 14pc 4.7.83	100¼	.....	13.90	10.56
102¼	100⅛	Do. 13¼pc 25.7.83	100⅝	.....	13.04	10.88
101½	99[illegible]	Do. 11⅞pc 15.8.83	100¼	.....	11.84	12.09
101	98⅞	Do. 11¼pc 30.8.83	100¼	.....	11.22	10.50
101⅛	99¼	Do. 11¼pc 3.10.83	100¼xd	.....	11.35	10.79
100⅝	98¼	Do. 9½pc 31.10.83	99½xd	.....	10.04	10.90
99¾	98	Do. 9⅞pc 28.11.83	99¼	.....	9.97	11.55
100¼	99⅞	Do. 11¼pc 19.12.83	100¼	.....	11.26	11.46
100¼	99	Do. 11⅞pc 23.1.84	100½	.....	11.81	11.23
100⅞	100	Do. 11⅞pc 13.2.84	100½	.....	11.82	11.28

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1982/83 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
83¾	57	N.Z. 7¼pc 1988-92	76	+½	9.78	11.94
93½	74¼	Do. 7½pc '83-86	91	+¼	8.46	11.83
167	136	S. Rhod. 2½pc Non-Ass.	160	..	—	—
80	58	Do. 3½pc 80-85 Assd	77	..	4.55	15.80
55	32	Do. 4½pc 87-92 Assd	47	..	7.54	15.90
402	318	Zimbabwe Ann (£100pd)	323xd		—	20.08

LOANS

Public Board and Ind.

1982/83 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
77½	57¾	Agric. Mt. 5pc '59-89	75¾	.	6.71	10.61
38	24¼	Met. Wtr. 3pc 'B'	31¾	.....	9.52	12.10

BANKS, H.P. & LEASING

1982/83 High	Low	Stock	Price	+ or -	Div. Net	Cvr	Y'ld Gr's	P/E
282	182	ANZ SA1	200	-3	Q28c	3.1	8.0	4.0
315	205	Alexanders D. £1	280	+2	20.0	—	10.2	—
£91	£48	Algemene Fl.100	£88	..	vQ26%	ϕ	7.4	ϕ
118	75	Allied Irish	115	.....	Q45.3%	4.0	9.0	3.5
164	77	Arbuthnot (H.) 50p	88	.....	3.5	—	5.7	—
290	200	Bk. Ireland £1	280	.....	z20.4%	—	9.6	—
3½	2	Bank Leumi	2	-½	—	—	—	—
*227	130	Bk. Leumi (UK) £1	165	.....	10.15	—	8.8	—

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	75	Falcon Rh.50c	250				
31	16	Wankie Col. Z$1	19				
28	12	Zam.Cpr.SBD0.24	18				

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
90	20	♥Anglo-Dominion	59	−1	—	—	—
125	25	♥Anglo Utd. Dev.	86	−4	—	—	—
135	27	♥Colby Res Corp.	82	−3	—	—	—
485	170	Cons. Murch. 10c.	420	......	†Q60c	1.9	‡
8	1½	††Explaura Gold	3	......	—	—	—
155	55	♥Highwood Res.	110	−3	—	—	—
£20¾	£12½	Homestake Mining $1	£19¾	+1	Q40c	—	1.4
495	160	Northgate C$1	365	......			
552	344	R.T.Z.	532	+9	16.0	1.6	4.3
£122	£84	Do.9½%Cv.Ln.'95-2000	£116½	+1	Q9½%	23.9	f8.3
33	11	♥Sabina Inds C$1	25	......	—	—	—
17½	12½	♥Southwest Res 10p.	14	......	—	—	—
530	270	♥Tara Expln $1	455	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♯♯ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue, xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	IRISH	Price	+ or −
Albany Inv. 20p	52	.....	Exch 15pc 1983	£99⅞	.....
Bertrams	17#	.....	Nat. 9¾% 84/89	£86½	.....
Bdg'wtr. Est. 50p	525	.....	Fin. 13% 97/02	£93¾	+¼
Craig & Rose £1	£12	.....	Alliance Gas	105	.....
Finlay Pkg. 5p	34	−3	Arnott	188	+5
Craig Ship. £1	£19	.....	Carroll (P.J.)	101	.....
Higsons Brew	105	+2	Concrete Prods.	52	.....
Holt (Jos) 25p	910	.....	Heiton (Hldgs.)	13	.....
I.O.M. Stm. £1	92	.....	Irish Ropes	28	.....
Pearce (C. H.)	£14	.....	Jacob	65	.....
Peel Hldgs.	182	.....	T.M.G.	80	.....
			Unidare	40	.....

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	15	House of Fraser	15	Utd. Drapery	7
BOC Grp	17	I.C.I.	24	Vickers	12
B.S.R.	12	"Imps"	10	Woolworth Hld.	15
Babcock	10	I.C.L.	8	**Property**	
Barclays Bank	35	Ladbroke	16	Brit. Land	7½
Beecham	35	Legal & Gen.	28	Cap. Counties	12
Blue Circle	44	Lex Service	16	Land Sec.	26
Boots	22	Lloyds Bank	35	MEPC	17
Bowaters	19	"Lofs"	4	Peachey	14
Brit. Aerospace	28	London Brick	11	Samuel Props.	10
B.A.T.	50	Lucas Inds.	32	Town & City	3
Brown (J.)	4	"Mams"	12	**Oils**	
Burton Ord.	24	Mrks. & Spncr	16	Brit. Petroleum	26
Cadburys	11	Midland Bank	30	Burmah Oil	12
Courtaulds	8	N.E.I.	9	Charterhall	5
Debenhams	8½	Nat. West. Bank	38	KCA	8
Distillers	20	P & O Dfd.	14	Premier	4
Dunlop	5½	Plessey	50	Shell	35
Eagle Star	30	Racal Elect.	45	Tricentrol	22
F.N.F.C.	4	R.H.M.	6	Ultramar	42
Gen. Accident	30	Rank Org. Ord.	15	**Mines**	
Gen. Electric	24	Reed Intnl.	26	Charter Cons.	20
Glaxo	45	Sears	9	Cons. Gold	40
Grand Met.	25	T.I.	13	Lonrho	8
G.U.S. 'A'	50	Tesco	8	Rio T. Zinc	42
Guardian	35	Thorn EMI	38		
G.K.N.	15	Trusthouse	13		
Hawker Sidd	30	Turner & Newall	4		
		Unilever	65		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling slips back as dollar improves

Sterling lost ground in currency markets yesterday mainly as a reaction to its recent sharp rise. While the mood of the market remained bullish, there appeared to be a desire to consolidate at current levels for the time being.

The dollar improved in late trading and this trend continued in New York. While Eurodollar period rates were a little easier, short term rates showed little sign of any sustained fall, leaving most people unwilling to go short on dollars.

STERLING — Trading range against the dollar in 1982-83 is 1.9265 to 1.4540. March average 1.4893. Trade weighted index 80.6 against 80.8 at noon and 80.9 in the morning and compared with 80.9 on Wednesday and 92.4 six months ago. Sterling's initial reaction to the latest North Sea oil prices has been favourable and it is now some way above record lows touched recently.

Sterling opened at $1.5150 against the dollar, its best level of the day and touched a low of $1.5055 in the afternoon before closing at $1.5065-1.5075, a fall of 75 points. Against the D-mark it fell to DM 3.6425 from DM 3.66 and SwFr 3.0850 from SwFr 3.1050. It was also weaker against the French franc at FFr 10.91 compared with FFr 10.9550 and Y358½ from Y359¼.

DOLLAR — Trade weighted index (Bank of England) 122.3 against 124.3 six months ago. The dollar remains quite firm. Oil uncertainties and strains within the EMS have been contributory factors but attention is now focusing on U.S. interest rates which have not fallen as once expected, reflecting concern over recent growth in the money supply.

The dollar closed at DM 2.4155 against the dollar compared with DM 2.4150 on Wednesday and SwFr 2.0460 against SwFr 2.05. It was slightly better against the Japanese yen at Y237.6 from Y237.2 and also against the French franc at FFr 7.24 from FFr 7.2375.

D-MARK — Trading range against the dollar in 1982-83 is 2.4940 to 2.2410. March average 2.4102. Trade weighted index 131.1 against 125.8 six months ago. German economic strength and low inflation compared with many of its neighbours have once again caused strains within the EMS. The latest realignment gives the D-mark room for appreciation as it is currently placed close to the bottom of the system.

The dollar was fixed at DM 2.4130 from DM 2.4110 at yesterday's fixing in Frankfurt while sterling rose to DM 3.6480 from DM 3.6430. The French franc remained pinned to its EMS ceiling at DM 33.35 per FFr 100 as did the Danish krone at DM 28.165 per DKr 100. Trading was rather subdued in the dollar sector with most people awaiting further developments on U.S. interest rate trends.

DUTCH GUILDER—Trading range against the dollar in 1982-1983 is 2.8190 to 2.4585. March average 2.6831. Trade weighted index 118.8 against 117.8 six months ago. The guilder has been a little disappointing since the latest EMS realignment where it was effectively adjusted downwards against the D-mark. This has turned the spotlight on to the very high budget deficit being run with a healthy current account surplus and low inflation failing to hold the guilder. It has recently touched a record low against the D-mark and is placed close to the bottom of the EMS prompting occasional central bank support.

The dollar was fixed at Fl 2.7155 at yesterday's fixing down from Fl 2.7185.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU April 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.3662	44.6920	+0.73	+0.32	±1.5430
Danish Krone ...	8.04412	7.98043	−0.79	−1.20	±1.6419
German D-Mark	2.21515	2.24752	+1.46	+1.05	±1.0567
French Franc ...	6.79271	6.73977	−0.78	−1.19	±1.4018
Dutch Guilder ...	2.49687	2.53021	+1.38	+0.97	±1.4941
Irish Punt	0.71705	0.712097	−0.69	−1.10	±1.6696
Italian Lira	1386.78	1339.85	−3.38	−3.38	±4.1463

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Apr. 7	£	$		£ Note Rates
Argentina Peso	103,058-104458	68,920-68,970	Austria	25.50-25.80
Australia Dollar	1.7410 1.7430	1.1540-1.1545	Belgium	73.60-74.35
Brazil Cruzeiro	640.87 644.87	423.98-426.10	Denmark	12.90-13.02
Finland Markka	8.1725-8.1960	5.4260-5.4280	France	10.89-10.99
Greek Drachma	124.901 128.071	83.50-84.00	Germany	3.63¼-3.67¼
Hong Kong Dollar	10.10¾-10.13¼	6.7060-6.7110	Italy	2145-2180
Iran Rial	128.20*	85.00*	Japan	356-365
Kuwait Dinar KD	0.4410-0.4425	0.2929-0.2930	Netherlands	4.09¼-4.13¼
[illegible]	[illegible]	[illegible]	Norway	[illegible]
[illegible]	[illegible]	[illegible]	Portugal	[illegible]
[illegible]	[illegible]	[illegible]	Spain	[illegible]
[illegible]	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth. African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

*Selling rates.

CURRENCY MOVEMENTS

Apr. 6	Bank of England Index	Morgan Guaranty Change %
Sterling	80.6	−39.7
U.S. dollar	122.3	+18.1
Canadian dollar	90.3	−17.6
Austrian schilling	122.4	+31.5
Belgian franc	94.9	−0.8
Danish kroner	85.1	−9.0
Deutsche mark	131.1	+58.4
Swiss franc	151.0	+106.4
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

April 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.716437	0.615857
U.S. $	8½	1.08554	0.931422
Canadian $	9.42	-	1.15170
Austria Sch	3¾	18.3931	15.7969
Belgian F	11	52.0072	44.6920
Danish Kr	8½	9.28954	7.98043
D mark	4	2.61458	2.24752
Guilder	5½	2.94255	2.53021
French F	9½	7.84050	6.73977
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]

*CS/SDR rate for April 6: 1.33783.

THE DOLLAR SPOT AND FORWARD

[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 48.90-49.00.

THE POUND SPOT AND FORWARD

[illegible]

Belgian rate is for convertible francs. Financial franc 73.70-73.80. Six-month forward dollar 0.35-0.30c pm. 12-month 0.55-0.40c pm.

EXCHANGE CROSS RATES

Apr. 7	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.507	3.643	358.5	10.91	3.085	4.105	2169.	1.863	72.40
U.S. Dollar	0.664	1.	2.417	237.9	7.240	2.047	2.723	1439.	1.236	48.04
Deutschemark	0.275	0.414	1.	98.42	2.995	0.847	1.126	595.5	0.511	19.88
Japanese Yen 1,000	2.789	4.204	10.16	1000.	30.43	8.605	11.44	6050.	5.197	202.0
French Franc 10	0.917	1.381	3.339	328.6	10.	2.828	3.760	1988.	1.708	66.36
Swiss Franc	0.324	0.488	1.181	116.2	3.536	1.	1.330	703.1	0.604	23.47
Dutch Guilder	0.244	0.367	0.888	87.39	2.659	0.752	1.	528.7	0.454	17.65
Italian Lira 1,000	0.461	0.695	1.679	165.3	5.030	1.422	1.891	1000.	0.859	33.38
Canadian Dollar	0.537	0.809	1.955	192.4	5.856	1.656	2.202	1164.	1.	38.86
Belgian Franc 100	1.381	2.081	5.031	495.2	15.07	4.261	5.666	2996.	2.573	100.

FINANCIAL FUTURES

Short £ eases

Sterling based contracts were a little weaker in the London International Financial Futures Exchange yesterday. This was seen as a consolidating move rather than a turnround in sentiment with the market adjusting to sterling's recent sharp rise. A weaker trend in the pound later in the day ensured that prices finished below their best levels with rates in the cash market coming back from this morning's lows as the market reacted to unchanged Bank of England dealing rates. While the mood of the market still dictates a cut in base rates the authorities were probably a little concerned over the pace at which rates have moved recently.

The June short sterling contract opened at 90.41 up from Wednesday's close of 90.32. The opening level was the top for the day and a low of 90.24 was touched during the afternoon before a close of 90.25. Gilt stocks moved in a similar fashion, tending to show sharper losses than in the cash market. The June contract started at 106-00 and moved forward to a high of 106-03 before slipping steadily to a low of 105-17. It closed at 105-18 down from Wednesday's close of 106-01.

Euro-dollar prices opened firmer amid hopes of lower U.S. interest rates. Cash prices were in fact weaker to start with and finished slightly down on the day but there was little clear sign of a softer trend in short term rates. Federal funds opened below 9 per cent but then rose to around 9¼ per cent. The June price in London opened at 90.69 up from 90.59 on Wednesday and touched a high of 90.74 before coming back to close at 90.67.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	90.67	90.74	90.65	90.59
Sept	90.42	90.49	90.40	90.37
Dec	90.21	90.29	90.20	90.19
March	90.10	90.15	90.10	90.14
June	—	—	—	—

Volume 1,640 (1,579)
Previous day's open int. 4,259 (3,754)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

STERLING £25,000 $ per £

[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

[illegible]

JAPANESE YEN Y12.5m $ per Y100

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	77-09	77-15	77-04	77-10
Sept	76-24	76-30	76-19	76-24
Dec	76-09	76-12	76-05	76-09
March	75-28	76-00	75-24	75-28
June	75-16	75-19	75-16	75-17
Sept	75-06	75-09	75-06	75-07
Dec	74-30	74-30	74-30	74-31

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

[illegible]

MONEY MARKETS

UK rates show steadier trend

UK clearing bank base lending rate 10½ per cent (since March 15 and 16)

The money market paused for breath yesterday after the recent sharp fall in rates as the Bank of England gently applied the brakes by keeping its dealing rates unchanged and implementing a small squeeze by under-helping the market. Period rates finished about 1/16 of a point above opening levels while overnight interbank money touched a high of 20 per cent from an opening level of 10¾-10⅞ per cent. Late balances were taken around 16 per cent. However the market remained bullish, showing undiminished hopes of an early cut in base rates.

The Bank forecast a shortage of around £750m initially although these was soon revised to £650m and then to £700m. Factors affecting the market included bills maturing in official hands and a net take up of Treasury bills—£356m and the unwinding of previous sale and repurchase agreements—£135m. In addition Exchequer transactions drained £480m from the system. Assistance in the morning totalled £85m, comprising purchases of £8m of local authority bills and £87m of eligible bank bills in band 1 (up to 14 days) at 10⅞ per cent.

The Bank gave additional assistance in the afternoon of £370m, making a grand total of £455m. The afternoon help comprised purchases of £1m of Treasury bills, £8m of local authority bills and £179m of eligible bank bills in band 1 at 10⅞ per cent and in band 2 (15-33 days) £2m of local authority bills and £90m of eligible bank bills at 10½ per cent. In band 4 (64-91 days) it bought £10m of Treasury bills and £31m of local authority bills at 10¼ per cent. It also arranged sale and repurchase agreements on £49m of bills at 10⅞ per cent, unwinding on May 11.

In Amsterdam the Dutch central bank announced its intention to implement two-week currency swaps, buying guilders against dollars in order to tighten liquidity levels. This was seen as a measure to support the Dutch guilder which has been weak within the EMS recently especially against the French franc. Interest rates were correspondingly higher, with call money quoted at 4¼-4¾ per cent up from 3¾-4 per cent and three-month money at 4¼-4¾ per cent compared with 4⅛-4¼ per cent.

In Frankfurt the Bundesbank left key lending rates and credit policies unchanged after yesterday's meeting of the Bundesbank central council while in Stockholm the Swedish central bank cut its discount rate to 8½ per cent from 9 per cent.

LONDON MONEY RATES

[illegible]

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period March 2 to April 5 1983 (inclusive) 10.974 per cent. Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11¼ per cent; four years 11⅜ per cent; five years 11½ per cent. Bank bill rates in table are buying rates for prime paper. Buying rate for four months bank bills [illegible] per cent; four month trade bills [illegible] per cent.

Approximately selling rate for one month Treasury bills 10⅛ per cent; two months [illegible] per cent; and three months [illegible] per cent. Approximate selling rate for one month bank bills 10¾ per cent; two months 10-10¼ per cent and three months [illegible] per cent; one month trade bills 10¾ per cent; two months [illegible] per cent and three months [illegible] per cent. Finance Houses Base Rates (published by the Finance Houses Association) 11½ per cent from April 1 1983. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7½ per cent.

Treasury Bills: Average tender rates of discount 10.2175 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 10¾ per cent; one-three months 10½ per cent; three-six months 10¼ per cent; six-12 months 10¼ per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 3-5 10¾ per cent. The rates for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. APRIL 7)

3 months U.S. dollars		6 months U.S. dollars	
bid 9 5/8	offer 9 1/2	bid 9 7/16	offer 9 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

SWITZERLAND

[illegible]

NETHERLANDS

[illegible]

$ CERTIFICATES OF DEPOSIT

[illegible]

LONG TERM EURO $

[illegible]

SDR LINKED DEPOSITS

[illegible]

ECU LINKED DEPOSITS

[illegible]

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

[illegible]

Authorised Units—continued

[illegible]

Insurances—continued

[illegible]

Offshore and Overseas—continued

[illegible]

SECTION IV

FINANCIAL TIMES SURVEY

Canada

Declining world oil prices and difficult export markets have put the country in a different mood. The domestic issues of the past have given way to concern about finding strategies for the 1980s

CONTENTS

End of an era—and many illusions

BY IAN RODGER

CANADIANS ARE in an unusually subdued state—still shellshocked from the dramatic turndown in the economy last year, and bemused by the looming prospect of major changes in the country's leadership for the first time in 15 years.

Within the next year or so, Mr Pierre Trudeau, the Prime Minister, and Mr Rene Levesque, the Quebec premier, are likely to retire from public office, both victims of a significant re-ordering of Canada's political agenda now taking place.

Ever since 1967 when General de Gaulle whipped up French-Canadian nationalism with his cry of "Vive le Quebec libre" from the balcony of Montreal City Hall, these two brilliant Quebecois have dominated the public life of the country. Single mindedly, they worked to promote their diametrically opposed visions of the country's future.

Both wanted to revitalise French-Canadian society—Mr Levesque by giving the 20 per cent French minority a national home in a separated Quebec; Mr Trudeau by using bilingualism as the bridge between the two founding nations of this huge country. Mr Levesque preached Quebecois nationalism, Mr Trudeau the pursuit of a specifically Canadian identity in North America.

Despite the diversity of their objectives, the programmes introduced by these two leaders have changed the character of the country irrevocably.

But there is still no final resolution to the constitutional debate, and there may never be one. Indeed, at various points during the Trudeau-Levesque era, the debate widened as Canadians in all regions of this immense country began to wonder if the existing structure served them well.

However, in the harsh climate of today, Canadians are less preoccupied with their constitutional future than with trying to bolster their battered and neglected economy.

Mr Trudeau has been widely criticised for his management of the economy, and there is no doubt that the record of the past 15 years consists of chronic overspending and a number of wasted opportunities.

But the criticism is somewhat unfair. Mr Trudeau was elected primarily to check the secessionist threat in Quebec and to create "the just society." He probably shared the view of most Canadians at that time that all things were possible in this richly-endowed land, and so didn't worry too much about the economy.

And, for a long time, all things were possible. For example, Canada's considerable oil resources made it appear possible to insulate the domestic market from the sharp increases in world prices that occurred in the early 1970s. Canada's political leaders quickly opted for that seemingly easy solution, although they failed to apply the discipline to other costs that would have enabled Canada's industry to take advantage of their good fortune in export markets.

Diversifying trade

The late 1960s and early 1970s were also the years of a new economic nationalism in Canada, and a distaste—growing partly out of the Vietnam war—for things American. Many Canadians wanted to reduce the country's overwhelming *dependence on U.S.* trade by diversifying their trade. They also became increasingly unhappy about exporting raw resources, such as oil and gas, rather than value added petrochemicals.

Today, the country's trade with the U.S. is just as important as it was ten years ago and no one talks any more about the so-called Third Option, under which trade links with Europe were to be strengthened. The big new petrochemical plants that have been built in Ontario, Quebec and Alberta look increasingly fragile in a world of declining oil prices and soft markets.

For many foreigners, the symbol of the early 1970s was the Foreign Investment Review Agency, established by the Federal Government to examine all new foreign investment projects and to accept only those seen to be in the Canadian interest. FIRA was powerful and disruptive for a long time, but even it has been toned down in recent months.

Canada's economy started to go badly off course in the mid-1970s because the Government continued to stimulate demand even though growth rates were satisfactory. The system couldn't cope, and so wages and prices rose at a significantly faster pace in Canada than in the U.S.

At first, the exchange rate fell to offset the comparative loss of productivity, but in mid-1981 when U.S. interest rates soared, this was no longer adequate. An accelerating outflow of investment funds—provoked largely by a nationalistic oil policy, forced the Government to raise interest rates above U.S. levels, bringing on the inevitable deflation.

GNP fell nearly 5 per cent last year, the biggest annual decline since the 1930s and the first in over a decade. Corporate profits plunged and most of the big resource "megaprojects" that were driving the economy had to be cancelled or postponed.

Unemployment has soared to 12.8 per cent and real incomes have fallen. In the past few months, wage settlements have finally begun to respond. Three-year agreements are increasingly common, cost-of-living adjustments clauses are being thrown out and zero increases in the first year are becoming the norm.

A recovery is getting under way, but it is being led mainly by the upturn in the U.S. and by a return of consumer confidence. The corporate sector has been badly bruised by the recession; many leading companies were caught with excessive borrowings and, for a while last year, questions were even being raised about the stability of the big national banks.

Most economists believe it will be some time before corporate debt-equity ratios are restored to the point where *capital spending by industry will* contribute to the recovery.

In the meantime, business and Government leaders are turning their attention to the problem of finding economic and industrial strategies suitable for Canada in the harsh world trading climate of the 1980s.

A Royal Commission on the country's economic prospects was set up last year, and many people hope that its findings will have the same dramatic impact that another Royal Commission did nearly 20 years ago with its recommendation to adopt a policy of bilinguation to hold together English and French Canada.

Certainly, the prevailing mood of businessmen and politicians about the country's prospects is sharply different from what it was 10 years ago. One economist said "There is no shame in being hewers of wood and drawers of water. But we are going to have to work a lot harder to do even those things better than anyone else."

This new focus on resource strengths has been seen in the federal Government's determination to proceed with legislation to enable grain freight rates to be raised to realistic levels, so that the railways will invest in desperately needed expansion of their handling capacity.

Similarly, Mr Trudeau's official visit to Japan and six other countries in the Far East in January underlined the Government's commitment to see Canada become a major supplier of resources and resource technology to the Pacific Rim countries.

Like every country, Canada is also eager to find a place in high technology industries. So far, without much overall direction, a number of Canadian companies have found important niches in the telecommunications and aerospace sectors.

Although it has at times been interventionist in its industrial policies, the Government seems inclined to restrict its role to one of generous financial support.

One economist coined a phrase which could catch on when he called for a programme to automate the forest industry by "bringing chips to chips."

Aggressive behaviour

A decade ago, Canada was behaving aggressively towards it powerful neighbour, the United States, raising export oil and gas prices and deploring the high degree of U.S. ownership of Canadian corporations.

Today, Canadians are scrambling to keep up with complaints about Canadian actions, from the alleged dumping of lumber to the labelling by Washington of a Canadian film about acid rain as propaganda.

And they are finding that the old informal communication channels to Washington through the U.S. Administration no longer work. They have to learn to advance their interests through a more powerful and independent Congress and the ubiquitous political action groups as well.

Despite the many recent assaults on Canadians' illusions, there is no evidence that the people are discouraged. The country's identity and cultural life seem stronger than ever.

Last month, many leading Quebecois were outraged that their separatist provincial Government attempted to make vindictive political capital out of the lack of French language services in a predominantly English-language hospital in Montreal. A few years ago, most Quebecois intellectuals would have urged the Government on.

And in Ontario, the large French-speaking minority have finally been given the right to have their children educated in French, regardless of expense. A few years ago in Orangist Ontario, such a move would have caused an uproar, but last month it passed without incident.

A new broadcasting policy has been published recently, accepting gracefully that Canada cannot fight off the flood of popular television programming from the U.S.. But far from giving up, the Canadian Broadcasting Corporation has announced that it will get out of the ratings race for good and concentrate on making quality programmes, even if this means a loss in audience share. A move that has been widely acclaimed.

Last month also saw the annual awards for the best films made in Canada, and one leading critic was moved to observe that it was the first time ever that there were enough good productions and performers that no awards had to be given to howlers.

What remains surprising is the feeling of political vacuum in the country. Both Mr Trudeau and Mr Levesque show definite signs of fatigue and the polls show that their constituents are clearly disenchanted with them.

But like the two old arch rivals they are, both seem to be hanging on in the hope that the other will retire first. And they are characters of such a scale that none of the candidates mooted to succeed them looks at all impressive.

But then there is no such thing as a vacuum in politics, and any vagueness about the outlook for Canada is bound to clarify before long.

The Liberal government is unpopular, but who will follow the old pro?

Trudeau retirement looming again

AN UNEXPECTED race for the leadership of the National Progressive Conservative party this spring has made Canadians recognise that a federal election may not be far away.

At a party conference in January, Mr Joe Clark, the hapless Tory leader, decided that 67 per cent support of his leadership was not enough and called for a leadership race in which he would be a contestant.

Pollsters immediately began examining the chances of potential candidates and confirmed what most Canadians knew already: that almost any Tory leader could beat the Liberals. It is difficult to pin down the reasons for the unpopularity of the Liberal Government in particular of Mr Pierre Trudeau, Prime Minister for all of the past 15 years except for a brief interlude in 1979 when Mr Clark formed a minority Government.

To a large extent, Mr Trudeau is taking the blame for the poor state of the economy. *Canadians have often been disappointed* by his amateurish improvisations in the area of economic management.

But also, one hears Canadians say simply that he makes them angry. They resent his cynicism—as in the recent appointment to the Senate of his close friend and aide, Mr Michael Pitfield.

They are offended by his arrogance and insensitivity—as when last summer, at the trough of the recession, he took his sons on a holiday trip across the country in the Governor-General's lavish rail carriage and snubbed those who came out to demonstrate or just to see him.

Perhaps he has just been there too long and, having achieved his major objection of patriating the constitution, is no longer interested in the job.

Run willingly

On the other hand, it is said that he enjoys being on the world stage and, if there were any chance of his being re-elected, would willingly run again. Mr Trudeau has come from a planned retirement once before, in 1979, when the Liberal party decided—rightly, as it turned out—that he could lead them back to power, and he could do it again.

But it seems most unlikely. There is no urgency about getting a new Liberal leader this time. The Government is in only the third year of its mandate, and there is a widespread recognition among *Liberals that Mr Trudeau must* go if they are to have any chance of retaining power.

A few months ago, no one would have given the Liberals, who have governed the country for most of this century, much of a chance in the forthcoming election, regardless of leader.

But the Tories have once again shown their uncanny knack for shooting themselves in the foot. Mr Clark may not be an inspiring, charismatic leader, but he was improving. His decision to abandon the leadership and then to contest the leadership appears odd at best. What will his position be if he wins the party's June convention with less than the 67 per cent support he had last time?

Also, none of the other candidates for the leadership are much more impressive than Mr Clark. The perceived front runner, Mr Brian Mulroney, a Quebec lawyer and mining company executive, has lots of style and solid Quebec support, but no experience of elected office.

None of the other candidates is bilingual—a virtually disqualifying disadvantage these days—although Mr David Crombie, the amiable former Mayor of Toronto, is working hard at his French.

There has been much speculation about the possible entries of Mr Peter Lougheed, premier of Alberta and Mr William *Davis, premier of Ontario,* but they seem to have ruled themselves out. There is no precedent for a provincial premier becoming Prime Minister and both men, although more attractive than some of the other candidates, would suffer from their strong identification with regional interests.

It is widely thought that Mr Trudeau was on the verge of announcing his retirement when the unexpected Tory leadership race emerged. It is now thought that he will go this summer, so that a new leader can be chosen and have the advantage of a few months' experience in office before seeking his own mandate. The Liberals are above all a pragmatic party—opponents call them unprincipled—and they will embrace any candidate who gives them hope of retaining power.

Fortunately for them, there is such a potential candidate. Mr John Turner, the former Finance Minister, who withdrew from politics in 1975 to practise law in Toronto. Mr Turner is handsome, bilingual and has roots in British Columbia, New Brunswick, Quebec and, through his wife, in Manitoba. He has the instinctive sensitivity to Canada's regional diversity that *Mr Trudeau so lacks.*

Mr Trudeau has seen support for the Liberals evaporate entirely west of Winnipeg since 1968, but there already are *signs of Liberals coming out of* Vancouver closets at the prospect of Mr Turner as Prime Minister. Polls indicate that he is the only potential Liberal candidate who could beat the Tories.

Amenable

There is much speculation about Mr Turner's willingness to run—he refused in 1979 when Mr Trudeau made his abortive retirement—but people close to him indicate that he is more amenable this time.

Another popular candidate would be Mr Jean Chretien, the present Energy Minister. Although the Liberals' practice is to alternate leaders from French and English language backgrounds, Mr Chretien is apparently eager to run and he thinks Mr Turner is vulnerable to criticism for abandoning the party and the Government when they needed him.

At the provincial level no fewer than six elections took place last year, but in only one *did power change hands.* The New Democratic Party (social democrat) Government of the respected Mr Allan Blakeney in Saskatchewan was defeated by the Conservatives.

This year, pre-electoral activity can be detected in Ontario and British Columbia—where the Social Credit (populist, conservative) Government of Mr William Bennett is thought to be vulnerable because the NDP Opposition leader and former premier Mr *Dave Barrett,* has *moderated* his style.

Rene Levesque: his Parti Quebecois government is under strain

There's an old joke in Quebec that election campaigns come once every four years and last four years. The Parti Quebecois (secessionist) provincial Government of Mr Rene Levesque was re-elected in 1981, but already it is under considerable strain.

A sharp deterioration in the province's economy in the past two years has left Quebec public finances in disarray. Index-linked wage contracts with *public sector employees—who* are among the Parti Quebecois' main supporters—threatened to drive the budget into intolerable deficit.

Union leaders refused the Quebec Government's requests last year to renegotiate the contracts and so it unilaterally imposed 20 per cent wage reductions throughout the service and among teachers and health care workers in the first quarter of this year. There have been strikes and successful challenges of the Government's back-to-work legislation in the courts, and the climate appears to be worsening.

The Parti Quebecois has a more fundamental problem in the decline of public enthusiasm for the secessionist cause. In part, this is due to economic concerns, but it is also an inevitable product of the Government's success in creating an environment in which the French speaking majority in the province no longer feels alienated. For example it has made French the sole official language of the province.

Now there is something of a backlash taking place, with much of the intellectual community opposed to the occasional petty gestures of the provincial Government towards Quebec's English language minority.

As at the federal level, the opposition forces in Quebec have not seemed to be able to take advantage of the Government's weaknesses so far. Mr Claude Ryan, the thoughtful Quebec Liberal leader, resigned last year and no leadership convention has yet been held or is in prospect because there is no obvious candidate.

The two names heard most frequently are Mr Robert Bourassa and Mr Raymond Garneau, respectively Premier and Finance Minister in the Liberal government ousted by the Parti Quebecois in 1976. Canadian political parties seem to be having difficulties these days in finding new faces.

Ian Rodger

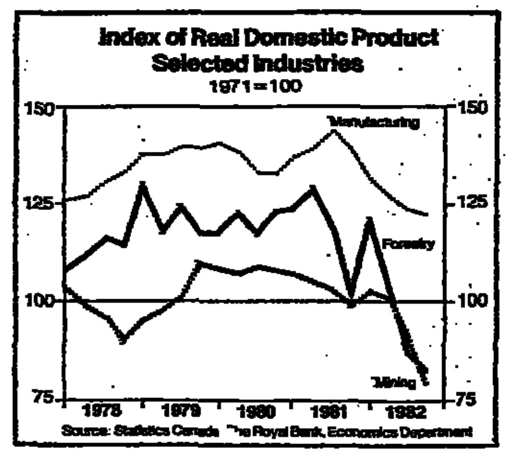
Pierre Trudeau: he enjoys being on the world stage and may not want to step down before his old adversary, Rene Levesque.

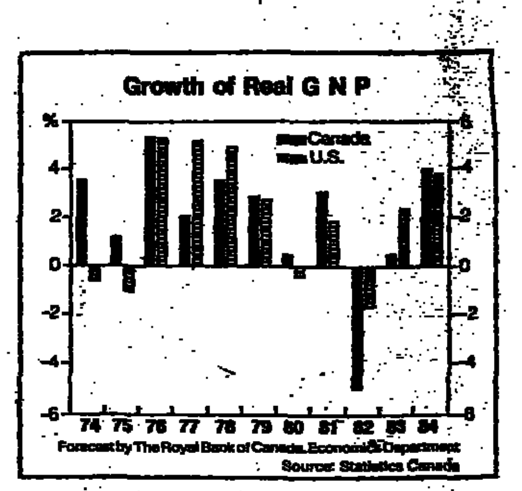
The consequences of Canada's close links with the U.S. are showing

Economy shaken by fall in industrial production

FOR MOST of the past decade Canada seemed immune to the severe adjustments taking place in the other industrialised countries following the sharp increases in world oil prices.

The economy, stimulated to varying degrees by successive governments, continued to grow fairly steadily until 1981, although by then it was becoming clear to many that the exchange rate alone could not be expected to go on adjusting for the widening gap between U.S. and Canadian wage and price movements.





Then in mid-1981 the combination of very high U.S. interest rates and the discriminatory effects of the National Energy Programme on foreign -owned oil companies caused a huge outflow of investment capital just at a time when the vital U.S. markets for many of Canada's products were weakening. The net outflow of direct investment in 1981 was C$10.5bn compared to an outflow of only C$2.6bn in 1980 and the country's current account deficit jumped from C$1bn to C$5.3bn.

No choice

Canadian authorities had no choice but to follow the U.S. interest rates—with the now familiar drastic effects on business activity, employment and, ultimately, wages and prices. The only difference in the Canadian experience compared to that of other industrialised countries was the speed at which it all happened.

Industrial production has fallen by about a fifth since mid-1981. Corporate profits fell 45 per cent from their peak in the first quarter of 1981 to the third quarter of last year. Employment has dropped by 5 per cent since the summer of 1981 and the unemployment rate has risen from 7.2 per cent to 12.8 per cent. The combined deficits of the federal and 10 provincial governments have soared from an annual rate of C$12bn in the fourth quarter of 1981 to an estimated C$40bn or more in 1983-84.

The inflation rate remained stubbornly in double figures last year and the federal Government felt obliged to impose a wage restraint programme last autumn of 6 per cent and 5 per cent increases over two years, hoping that other public and private sector employers would follow suit.

In the event the decline in business activity has been so drastic that private sector wage increases are unlikely to be as high as 6 per cent and 5 per cent over the 1982-84 period.

The inflation rate has recently dropped to 7.4 per cent and is widely expected to continue falling for at least another year.

"We are now in the virtuous circle," says Mr John Grant, vice-president of Wood Gundy, the leading Canadian stockbrokers. "I think Canadians have learned their lesson. There is probably no need to worry about the reflationist case."

The problem now is that business finances are so poor that the recovery is likely to develop very slowly, driven initially mainly by consumer spending.

The unexpectedly rapid decline in demand last year, coupled with the unprecedented high cost of financing stocks, led to a massive destocking process in the latter part of the year. This is now being reversed but underlying real demand is probably not going to improve much this year, if at all.

Prelude

The Conference Board of Canada expects a 10 per cent drop in real business investment this year after a 17 per cent fall in 1981. But it also is showing a sharp recovery in its consumer confidence index from a very low point in mid-1982.

Mr Tom Maxwell, vice-president and chief economist, thinks the very high personal savings rate last year, 13.7 per cent, was the prelude to a resumption of consumer spending.

CONTINUED ON NEXT PAGE

ECONOMIC PERFORMANCE IN SUMMARY

	1979	1980	1981	1982	Forecast 1983	1984	1985
CANADA							
Real GNP	0.2	0.5	3.1	−4.8	1.9	3.6	3.7
GNP deflator	10.3	11.0	10.1	10.6	6.5	4.3	4.6
CPI	9.1	10.2	12.5	10.8	6.6	4.3	4.6
Unemployment rate (%)	7.5	7.5	7.6	11.0	13.0	12.4	11.7
Pre-tax profits	32.2	7.4	−10.5	−33.3	33.2	24.1	21.2
Housing starts (000)	197	159	178	131	152	170	180
Car sales (000)	1,003	932	904	715	760	801	838
U.S.							
Real GNP	2.8	−0.4	1.9	−1.8	2.2	4.5	4.3
GNP deflator	8.7	9.3	9.4	5.9	4.9	4.7	4.6
CPI	11.3	13.5	10.3	6.2	3.5	4.6	4.8
Unemployment rate (%)	5.9	7.2	7.6	9.7	10.3	9.5	8.5
Pre-tax profit	10.3	−4.0	−4.3	−24.8	13.0	24.0	16.0
Housing starts (000,000)	1.717	1.298	1.100	1.057	1.500	1.700	1.800
Car sales (000,000)	10.6	9.0	8.5	8.0	9.0	10.0	10.5

Note: Percent changes at seasonally adjusted annual rates unless otherwise noted.

Source: Wood Gundy.

U.S.-Canada relations have turned sour, reports **Jim Rusk**

Economic nationalism under siege

WHEN MR TRUDEAU brought his Liberal Government back to power in the spring of 1980, he promised Canadians a nationalistic economic policy. The petroleum industry was to be Canadianised, the Foreign Investment Review Agency (FIRA), expanded and industrial strategy to be interventionist and nationalistic.

It was an uncharacteristic position for a Prime Minister who had steadfastly resisted economic nationalism during his first 11 years in office. But in a victorious election in which a key plank had been a *defence* of the state oil company, Petro-Canada, the nationalist wing of the party had convinced him that this was what Canadians wanted and Canada needed.

Today, after one of the most acrimonious periods in Canada's foreign relations, *only* one of the planks has not been reduced to *kindling* wood. While 1980's controversial National Energy Programme has largely been implemented, FIRA has been toned down, and industrial policy has been largely a matter of reshuffling government departments and relabelling old programmes.

About face

This about face can be attributed partly to world economic recession, which sapped Canadian resolve to do battle on all international economic fronts, but mainly to President Ronald Reagan's aggressive administration in Washington. While European and Japanese leaders travelled to Ottawa to say they were more than upset by the direction that Canadian policy was heading, it was in the Canadian-American arena that the battle was fought and economic nationalism routed. In the three years between promise and retreat, there was an unprecedented crisis in Canadian-American relations.

M. Allan Gotlieb, Canada's Ambassador to the U.S., complained last month that the well-known phrase about "the longest undefended border in the world" might well be the world's longest unexamined cliche. In fact, bitter skirmishes have been fought in the past few years over acid rain, trade in oil and cars, television broadcasting in border areas, harnessing of rivers which cross the border and even — between New Brunswick and Maine — the delineation of the border itself.

Diplomats on both sides now say that a better management of mutual relations has emerged. As Stephen Clarkson, a University of Toronto political scientist who closely chronicled the last three years, has recently written: "The bilateral relationship has entered a new stage, a period in which conflicts will be seen as normal between two countries that differ on a number of important issues."

In recent weeks, two such conflicts have been in the forefront.

- The U.S. Civil Aeronautics Board refused to sanction low fares offered by Air Canada, the national airline, in a "seat sale" on trans-border flights until, in a last-minute compromise, Canada acceded to a U.S. request to give an American airline access to the Canada-Australia market.
- The U.S. Commerce Department turned down a request by U.S. sawmills to impose a 65 per cent tariff on Canada's C$2bn in softwood lumber exports. The U.S. mills had claimed that the Canadian provinces' practice of levying taxes (stumpage fees) on timber cut on Crown Lands (effectively all Canadian production) that vary with lumber prices was unfair to U.S. mills. U.S. stumpage fees are set in bids made two to three years before timber is cut.

The case over timber is instructive of the ideological nature of many of the U.S. complaints. Canadian economy is both more mixed and highly regulated than America's and Canada is certain to find itself in conflict at many junctures with a U.S. administration committed to free markets and deregulation.

Irritated

Americans often become irritated that Canadians (and other allies for that matter) do not always share those commitments. And it irks Canadians that Americans should even expect approaches to problems to coincide.

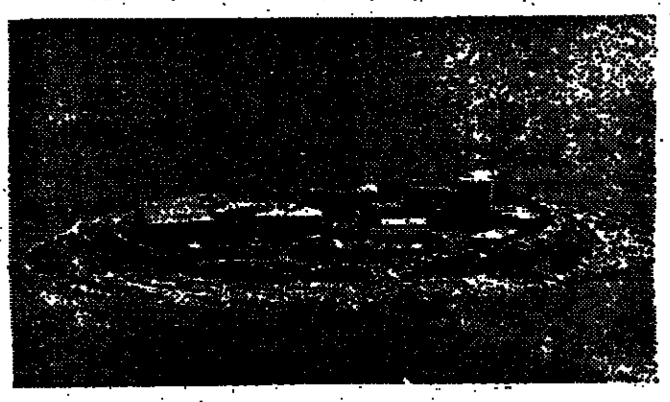
While the relationship between the two countries may have improved in the last year, there are a number of important unresolved issues. The most important is acid rain. Canada is determined to get the U.S. to reduce the volume of sulphur dioxide pumped into the atmosphere by industries in the mid-West and which falls on Canada in the form of acidic precipitation that is destroying a large number of Canadian lakes.

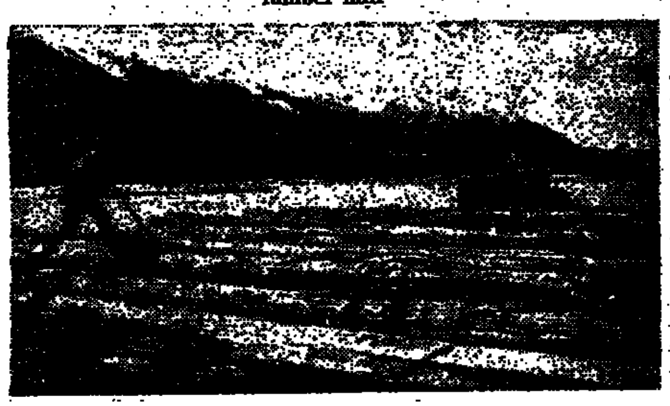
Canada has not found as much support for its case in the U.S. administration as it would like and so has resorted also to lobbying Congressmen from constituencies affected by acid rain. This is a relatively new tactic for advancing Canadian interests in Washington but one which is likely to be used more frequently now that Congress is taking an increasingly independent line on many issues.

On the U.S. side, energy matters are still high on the agenda with the U.S. pressing Canada to reduce its natural gas export price, which is linked by formula to oil prices, and with U.S. companies looking for ways to legally challenge the provision of the National Energy Programme that allows the Canadian state oil company to take a 25 per cent stake in hydrocarbon finds without full compensation of the exploration costs.

The result of the past three years is that Canadian politicians and diplomats have become much more ready to aggressively defend Canadian interests whenever they feel threatened. And it is not only the U.S. that has been at the receiving end of this new attitude. The European Community encountered it recently when Canada imposed a reduction in cod quotas in retaliation for what was perceived as an unacceptable European performance under a fishing agreement and European calumny in banning the import of seal pup pelts.

Japan felt it last year when the clearance of cars through Canadian customs was held up in the face of Japan's reluctance to continue restraint on exports. While Mr Trudeau may have failed to create a new Canadian economic nationalism, at the very least he appears to have reinvigorated the old one.





Above: artificial island for recovering oil in a shallow area of the Beaufort Sea. Below: moving logs downstream to the lumber mill

Industry decline shakes economy

CONTINUED FROM PREVIOUS PAGE

"The importance of consumer confidence cannot be overstressed at this juncture, since with further disposable income declines expected this year growth in consumption in 1983 can come only from changes in savings behaviour," he said last month.

Economists are also counting on a recovery in the housing market gathering pace now that interest rates are down to reasonable levels. Housing starts are running at an annual rate of 160,000 compared to 120,000 last year. The rate required to meet demographic trends is about 200,000.

One of the surprises of the recent recession has been the relative strength of Canada's merchandise exports, which have remained fairly stable in real terms since 1980. However, the value of imports dropped by 10 per cent last year because of the weak home economy. Canada is a net importer of about 55 per cent of its industrial machinery.

The result is that the current account moved into a surplus last year of C$2.7bn for the first time since 1973 and is expected to remain in surplus at least through this year until growth resumes in the business sector.

The surplus plus the lack of capital spending by business means that the inevitable large Government deficits this year should be handled comfortably without putting pressure on the exchange rate or crowding out other borrowers. The Bank of Canada is clearly trying to lower interest rates as much as possible without upsetting the exchange rate and it is possible that Canadian rates could even dip below U.S. rates at some point.

No one doubts that Government deficits will rise again in the current fiscal year, partly because of the need to increase spending on welfare benefits and partly because revenues from the oil and business sectors will be weaker. The federal Finance Minister, Mr Marc Lalonde, has said he also hopes the federal budget, due later this month, "will stimulate the economy, help with the creation of jobs and speed the recovery." The combined deficit of the federal and 10 provincial Governments end up at about 10 per cent of Gross National Product (GNP), certainly not a dangerous level but equally not one that leaves the Governments much room to provide stimulus.

Forecasters have been revising their figures upwards in recent weeks because of the heartening news of U.S. recovery. Canada depends on exports for about a third of its GNP and 70 per cent of its exports go to the U.S. The current range of predictions shows GNP growing anywhere up to 2.9 per cent, inflation falling to under 6 per cent and pre-tax profits recovering up to 45 per cent.

But the mood in the country and the often conflicting signals coming from the U.S. suggests that the more modest growth forecasts—of say 2 per cent on GNP—are the most plausible, although the inflation rate could well decline faster than forecast.

Ian Rodger

Large loan losses hit profits, says Nicholas Hirst

Banking sector burns its fingers

CANADA'S FINANCIAL community is recovering from one of the most difficult periods in its history. The Canadian banks, three of which are among the ten largest in North America, have suffered huge recession-induced loan losses in the past year. Then the image of the staid, conservative C$60bn trust and loan industry was hurt in January when the Ontario government took control of the assets of three companies to protect depositors' interests.

Thirdly, during much of 1982 the stock market suffered from low volume and falling prices. But following the trend set by the New York exchanges, Canadian markets have moved sharply ahead, anticipating the end of the deepest difficulties since the 1939-45 world war. The worst now seems to be over.

"I suppose I could say we—the Canadian banks — went through fire," said Mr Russell Harrison, chairman of the Canadian Imperial Bank of Commerce. "But when the smoke all cleared, we didn't do too badly."

Sudden halt

Several years of strong growth for the banks came to a sudden halt in 1982. As interest rates soared, many corporate clients found themselves unable to meet payments. Loan losses for the big five in the 12 months to October 31 rose 166 per cent to C$2.2bn. Non-productive loans, on which interest had not been paid for a period of 90 days or more, rose even more sharply from C$1.8bn to C$6.1bn.

The losses were manageable. All the big five made profits in 1982 and two, the Toronto Dominion and the Bank of Nova Scotia, reported modest increases in earnings. It was the Canadian banks' exposure to very large single loans which threatened to damage their international reputation.

"If there was one thing that concerned me, it was having too many eggs in one basket," Mr Harrison said.

The most spectacular example which received the most attention, was the C$4bn of loans from Canadian banks outstanding to Dome Petroleum.

Dome had aggressively followed the Canadianisation policies of the National Energy Programme using debt to finance its two-stage acquisition of the American-controlled Hudson's Bay Oil and Gas. When it proved unable to meet repayments on schedule it was forced to negotiate a rescheduling and capital injection package with the banks and the federal government.

The banks have reiterated again and again that the rescue in no way constitutes a "bail out" of the banks themselves. "The fact is that Canadian bank loans to Dome were largely secured by quality assets which we believe—and still believe—constituted an effective security and protection for our postion," Mr Harrison told a Financial Times world banking conference.

But neither the Canadian banks themelves, nor the regulatory authorities, want such large exposure to single loans to occur again. Last month Mr William Kennet, the Inspector General of Banks, sent out the first discussion paper on capital adequacy which is expected to result in the issuing of general guidelines. Many banks have tightened their internal guidelines. The CIBC, for example, now limits exposure to any single loan to 15 per cent of its capital and reserves.

In a sense the large-scale loans are the least of the banks' problems. The big volume of bad debts is in the myriad of small loans made across the board of banking business.

The recession has faced many bankers with the kind of conditions they have never experienced before. A search for growth has given way to a desire for prudence. All the banks now have special teams working out problem loans, and high-level lending decisions—which to some extent had been decentralised—are now being taken at head office.

Costs are being pared back, bureaucracies clipped and branch networks rationalised. Falling interest rates and reduced costs helped push bank profits up sharply in their first quarter. Loan losses continued to rise, but analysts expect that as interest rates continue to fall, non-productive loans will decrease. Bankers are already finding that corporate customers are dropping standby lines of credit and replacing bank loans with borrowing in capital markets.

While the banks' problems resulted from the general recession, the Ontario government's decision to seize the assets of three trust companies, Crown Trust, at the time 12th largest in the industry, Greymac Trust and Seaway Trust, was a result of concerns that mortgages had been advanced without adequate security on a series of specific property transactions.

The Ontario government subsequently passed legislation to sell most of the assets of Crown Trust to the large Nova Scotia-based Central Trust. Investigations continue, but the industry seems to have emerged unscathed. Shares of trust and loan companies on the Toronto stock exchange have risen sharply during the year.

Legislation

Legislation on the industry is being prepared by both the federal and Ontario governments. The federal legislation is intended to make the trust and loan companies more like banks. Originally set up in the 19th century to administer the estates of the wealthy, trust companies grew into deposit-taking institutions whose main business was in residential mortgages. The decline in the housing market pushed the companies more and more into commercial development.

The federal legisation takes into account the changes in the industry's business and is largely uncontentious. But a fight is expected over a suggestion in a discussion paper to limit to 10 per cent any single shareholding in any one company, bringing the trust and loan companies in line with similar legislation on Canadian banks.

Most of the companies, with the notable exception of Canada Trust, one of the big 10, have large controlling shareholders. The industry argues that a change in ownership would not benefit prudential management and could produce damaging upheaval.

The unfavourable publicity surrounding the trust companies has not been powerful enough to outweigh the positive impact of lower interest rates. So far this year, the trust company shares have been among the star performers of a very lively stock market.

The two main concerns in the investment community recently have been the changeover to negotiated commissions—which happens this week in Toronto and Montreal—and the row between Ontario's regulatory authorities and Quebec's public pension fund management agency, the Caisse de Depot et Placement.

The Caisse ran foul of the Ontario Securties Commission nearly two years ago when it got together with another Quebec Government agency to buy a 42 per cent stake in Domtar, the large forest products group.

OSC regulations require disclosure of holdings when they exceed 5 per cent and that offers be made to minority shareholders when holdings exceed 20 per cent. The Caisse obeyed neither rule and argued it was not subject to Ontario jurisdiction.

The OSC held hearings on the matter last summer and concluded in October that the Caisse was in breach of the regulations and would not be allowed to buy or sell shares in Ontario.

The Caisse, which is by far the largest investing institution in the country with about $16bn in assets and $3bn in equities, has agreed to disclose its holding in any company when it surpasses 5 per cent but otherwise remains unrepentent.

As for negotiated commissions, brokers generally believe that this innovation will have effects similar to those experienced in New York since 1975. Commissions for institutional investors are expected to drop by a quarter to a third and retail commissions to remain largely unchanged.

As long as the recent buoyant volumes hold up, there should be lots of business for most brokers.

The Royal Bank of Canada building in Toronto. Several years of strong growth for banks came to a sudden halt in 1982.

Changes clip FIRA's wings

ALTHOUGH Mr Trudeau promised during the 1980 election campaign to expand the powers of the Foreign Investment Review Agency, a number of changes in the last year have actually clipped its wings. The agency screens foreign direct investment in Canada and can advise the cabinet to forbid takeovers and new ventures not thought to bring significant benefit to Canada.

Starting with last June's budget and through the summer, the agency's rules were changed. The thresholds for transactions qualifying for a small-business exemption that allows applicants to use a simpler form and to face an accelerated review, were widened.

For new investment and the direct acquisition of a Canadian-controlled business, the threshold was raised to C$5m in assets and 200 employees from C$2m in assets and 100 employees.

Where a foreign-controlled Canadian company is acquired in the course of acquisition of its parent or other foreign-controlled company, the threshold for small business review is now C$15m in assets and 600 employees. However, the provision that allows the Minister to ask for a long review if the acquisition or investment raises important policy questions was unchanged.

During the summer, the agency for the first time also issued interpretation notes for the guidance of applicants so that they would more clearly understand certain provisions of the Act which have been particularly difficult to interpret.

Foreign-based

The notes cover such matters as the acquisition of businesses that have ceased operation and the performance in Canada of single or isolated contract projects by foreign-based businesses. And the agency undertook for the first time to provide before reviewing a case written rulings as to whether a transaction was reviewable under the Foreign Investment Review Act.

Important personnel changes came last autumn. The long-term head of the agency, Mr Gorse Howarth, who had earned a reputation in the business community as an expert player of bureaucratic games, was replaced by Mr Robert Richardson, a fast-rising young civil servant with a knack for the efficient cutting of red tape.

And, more importantly, the Minister responsible for FIRA Mr Herbert Gray, the leading economic nationalist in Mr Trudeau's Cabinet, was eased out in favour of Mr Edward Lumley, a pro-business Minister.

The result has been a considerable improvement in the agency's performance. Mr Lumley has cleaned up the backlog of applications with which the slow and cautious Mr Gray had burdened him and in early March FIRA reported a backlog of only 117 cases, compared with 324 a year earlier. And, from July 1 when the new rules came into effect to early March 727 cases were disposed of compared with 433 in a similar period a year earlier.

Objections

However, not all foreign objections to FIRA have been met. Probably the most annoying element is the one requiring approval of the takeover of a Canadian company whose control changes incidentally to a foreign transaction. For example, Pilkington Brothers of the UK bought a major stake last year in the U.S. glassmaker Libbey Owens Ford. Since LOF has a Canadian subsidiary, FIRA reserves the right to approve the transfer of its control, even though it might go from one foreign group to another.

While some foreign businessmen find this merely an annoyance, some deals have been abandoned because of it. Mr James Robb of the Montreal law firm of Stikeman, Elliott, one of solicitors most experienced in dealing with FIRA, says he knows of three U.S. acquisitions in the last year that were aborted because of this high cost of getting FIRA approval for a change in control of a major Canadian subsidiary.

Mr Robb puts the paperwork and legal costs of such cases at about C$200,000.

The other unresolved issue is whether FIRA's requirements that new foreign-controlled businesses in Canada must engage in certain trade activities or must purchase inputs in Canada, violates the General Agreement on Tariffs and Trade. A GATT panel is now considering these rules in a case brought by the United States.

Jim Rusk

The slump in demand for energy has put many calculations in disarray

Oil self-sufficiency target in doubt

THE SLUMP in demand for energy during the recession and the recent decline in world oil prices have left Canada's vital energy sector in disarray. Several huge oil, coal and hydro-electric projects have been cancelled, postponed or scaled down in the past year and the controversial National Energy Programme (NEP), announced 2½ years ago, is being undermined.

The NEP objective of reaching oil self-sufficiency by 1990 is looking increasingly difficult to achieve unless consumption — and therefore imports — remain depressed. Because of deeply depressed demand last year, the country, to its surprise, produced about 46,000 more barrels per day of oil than it consumed. Consumption fell 10.6 per cent in 1982 after a 6.5 per cent fall in 1981.

Still, there was a trade deficit on oil because of the traditional practice of exporting surplus heavy oil from the west to the U.S. and importing light oil to help supply eastern markets. However, the deficit declined from C$3.8bn in 1981 to C$750m last year and, because of continuing large exports of gas and electricity to the U.S. Canada more than doubled its surplus on total energy trade to C$6.3bn.

The roots of Canada's energy problems today lie in the early 1970s when various groups sought to take advantage of the world oil crisis. Consumers and politicians representing non-oil producing provinces — led by Ontario — argued for maintaining low prices in the home market, partly to reduce inflation and partly to help industry.

Oil companies and oil-rich provinces, led by Alberta, the multinational oil companies, argued for higher prices, partly to stimulate more exploration. They warned that Canada's conventional oil reserves in easily accessible fields were running out, a fact which came as a shock to most Canadians, led to a loss of public confidence in the multinational oil companies, and growing pressure for bigger Canadian ownership in the oil and gas industry. In the early 1970s the industry was over 80 per cent foreign-controlled.

Debate

After lengthy and bitter national debate an attempt was made to resolve these issues in the National Energy Programme announced in October 1980. It set out three main goals—self-sufficiency in oil by 1990, 50 per cent Canadian ownership by 1990 and fairness in pricing and distribution of industry revenues. The latter goal was clarified in an agreement between Alberta and the federal Government a year later on tax revenue sharing that involved a significant increase in the overall Government take with a formula that would see Canadian prices rise to 75 per cent of world prices and then remain there.

To achieve the self-sufficiency and Canadian ownership goals, the programme provided increased incentives for exploration—but only for Canadian-owned companies. They could deduct up to 80 per cent of exploration spending from their taxes, while foreign owned companies could deduct only 25 per cent.

The effects of the NEP on overall exploration and development activity were much more negative than expected, partly because at the time it came into force the decline in oil consumption was already beginning to hurt cash flows. Well completions in Western Canada have fallen from a record 8,938 in 1980 to a forecast 5,200 this year. Major projects involving multinational companies, such as the Alsands synthetic oil extraction project and the Cold Lake heavy oil extraction project, together worth C$30bn, were cancelled.

By early 1982 both the federal and the Alberta Governments felt obliged to cut their tax and royalty takes.

On the Canadian ownership front progress has been rapid, since many foreign owned companies decided it was not worth carrying on. More than C$7bn has flowed out of the country to finance the purchase by Canadian groups of foreign-owned oil companies since the NEP was set up and Canadian ownership in the sector is rapidly approaching 40 per cent.

As an example of the impact of the NEP on a multinational, Gulf Oil's 60 per cent owned Canadian subsidiary has seen a dramatic shift in its fortunes in the past two years. While revenues have grown by a quarter, taxes are up by half and earnings down by a half.

The company, which has major land holdings in Canada's most promising frontier areas, is hanging on in the hope that the NEP will be modified. "But we can't afford royalties and taxes and develop anything at $25 a barrel," says chairman Mr J. C. Phillips.

Since the decline of world oil prices early this year pressure on the pricing formula has become intolerable. It was based on the assumption that world prices would rise steadily over the medium term. However, as a result of the fall of world prices, the Canadian price has already gone above 80 per cent of world price.

Shortfall

The amounts of money involved are huge. One economist has estimated that the federal government's shortfall on anticipated tax revenue from the oil industry this year could be as high as C$3.4bn even if the world price holds at or near $29 per barrel. The total federal deficit is expected to be in the vicinity of C$30bn.

As the price falls other energy policy problems emerge. For example, the domestic natural gas price is supposed to be set at 65 per cent of the oil price per unit of energy. But if the oil price goes down the Government will have to decide whether to allow gas to follow, with a consequent loss of tax revenues.

Canada's high price on gas exports—US$4.94 per 1,000 cu ft—is under attack from the U.S. and there is speculation that it will be lowered soon, although officials doubt that lower prices would lead to higher sales in the soft market conditions of today.

The decline in oil prices may also jeopardise a Can$4bn project to sell liquefied natural gas to Japan. The export of 3,000bn cubic feet over 20 years has already been approved by the National Energy Board and the Alberta Energy Resources Conservation Board but some government approvals are still required.

Opinion on the value of the project is sharply divided. Some people say the country needs to develop markets other than the U.S. and should accept a low return on the initial project in order to get the necessary infrastructure — pipelines, liquefying plants and tanker terminals — installed. They point out that the U.S. market may remain depressed for some time. At present only half of Canada's authorised gas exports are actually being delivered to the U.S. Others say there is no justification for selling gas at knockdown prices.

A geologist sampling and mapping coal seams in north-eastern British Columbia. More than a third of Canada's coal production last year was exported.

Moreover, governments are worried about the pricing arrangements in the Japanese contract, which are market related, and fear that U.S. customers may seek similar terms.

Since the cancellation of the Alsands and Cold Lake projects the federal government has been putting increasing emphasis on exploration and development projects in the frontier areas. In February a five-year Can$1.2bn exploration agreement was completed with the consortium led by Dome Petroleum and Gulf Canada for work in the Beaufort Sea off the MacKenzie delta.

Development of fields off the east coast of Canada has been hindered by the dispute between the federal government and Newfoundland over jurisdiction in offshore areas. Early this year the Newfoundland Supreme Court ruled that the federal government had general jurisdiction but the province is to appeal to the Supreme Court of Canada. Meanwhile, another case involving the Hibernia discovery area in particular is now before the Supreme Court and a decision is likely in the autumn.

Last year Ottawa reached agreement on a revenue-sharing formula for offshore fields with the province of Nova Scotia and it intends to use this agreement as a model in negotiations with other provinces. The Nova Scotia agreement has paved the way for development of gas fields found around Sable Island and federal officials expect them to be in production in 1986. Provided agreement is reached with Newfoundland, oil could be emerging from the Hibernia field in 1989.

While the NEP concentrated on oil and gas — and primarily on oil — developments in other energy sources have continued with less fuss. Hydro-Quebec last month signed an agreement to export more than U.S.$10bn of electricity to 64 New England utilities.

By the end of the year the first coal will be delivered from a new mine development in north-eastern British Columbia. At a cost of Can$2.5bn two mines are being developed to export to Japanese buyers 8m tonnes of coal a year on a 15-year contract with a five-year renewal. The cost includes building a railway spur line, a new town, upgrading track and the construction of a 12,000-tonnes-a-year coal handling dock at Prince Rupert on the west coast. Rumours that the Japanese might not, in the end, take all the coal they have contracted for have been denied by the mine operators, Denison Mines and Teck Corporation although the deliveries from the new project will probably result in reductions of sales by other British Columbia mines.

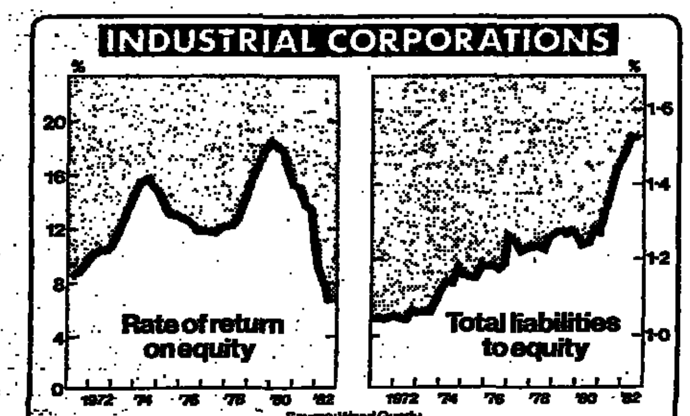
Total coal production in Canada last year was a record 42.81m tonnes with 16m going for export. Most of the export was of metallurgical coal. The future lies in exports of thermal coal from the vast resources in Alberta.

Nicholas Hirst/
Ian Rodger

Industry trying to weather recession

THE MOST prominent theme in Canadian industrial circles these days is what businessmen call balance sheet repair. A nice phrase that, conveying both the nature of the problem and a confidence that it will be solved. But the repair job is probably going to be long and difficult.

Canada's basic industries are of two main types—the resource based, export-dependent ones such as pulp and paper and metal mining, and the general manufacturing industries. With the exception of the motor industry which is integrated with its U.S. counterpart, they rely on a steady flow of big resource development projects for their prosperity.



Late in 1981, both the resource development and export markets turned sour simultaneously, sending industry into its worst tailspin since the 1930s.

Manufacturing output was down about 15 per cent and corporate pre-tax profits plunged by a third after a fall of more than 10.5 per cent in 1981. The debt: equity ratio of industrial corporations soared from 1.25:1 to over 1.5:1 last year.

Among the leading export industries, the value of metal mining output dropped from $8.7bn in 1981 to $7.03bn last year, and more than half the industry's 130,000 workforce was idle. Among the sectors hardest hit are nickel, where production was down 45 per cent to 88.7m kg; iron ore, down 30 per cent to 34.5m tonnes; and copper, down 12 per cent to 606.2m kg.

Industry spokesmen remain gloomy about the outlook for metal mines this year despite the recent improvement in prices, notably copper. Mr Tex Enemark, president of the Mining Association of British Columbia, says: "The metal industry is still some distance from any sort of breakeven position."

One prominent exception to this gloom is the aluminium sector where the world leader, Alcan Aluminium, is forecasting a return to profitability later this year. Alcan suffered a $58m loss last year although, unlike most aluminium producers in the world, it maintained its operation rate at a very high level.

Mr David Culver, president, says there has been a strong upturn in world demand and prices for aluminium in recent months, although he was uncertain about its sustaining power.

Because of the availability of low-cost power in Quebec, the aluminium sector is one of the few in the country that is expanding. Reynolds Aluminium is doubling the size of its smelter at Baie Comeau and negotiations are continuing on a proposed $1.5bn smelter project at Becancour to be owned by Pechiney Ugine Kuhlmann of France and possibly, as a minority partner, the Quebec Government.

The paper and forest industry has been having a very difficult time. Last year, markets for newsprint were so weak that the list price of newsprint was cut for the first time since 1964. Three newsprint machines were closed permanently, reducing Canadian capacity from 10.5m short tons to 10.2m tons.

Doubts

Lumber markets too continued their decline for the fourth consecutive year and prices reached a low last September of U.S.$130 per thousand board feet from $240 in July 1979. Pulp and paper shipments were down 10 per cent last year to 18.2m tons.

There are few signs of recovery as yet in the forest industries, except in the lumber sector. Canada exports about two thirds of its lumber to the U.S. market.

The Canadian Pulp and Paper Association is forecasting that pulp and paper shipments will increase by 7 per cent to 19.4m tons, but that would still be well below the 1980 level and leave companies operating at an average of only 83 per cent of their capacity.

"This year will be a year of very low earnings mixed with more losses for a number of companies," Mr Howard Hart, president of the CPPA, said recently.

Because of the integration of the U.S. and Canadian motor industries, this sector has long been one of the most important components in Canadian trade. Like its U.S. counterpart, the Canadian industry has been deeply depressed by the recession and the big penetration of imports from Japan. In 1977, a total of 1.77m vehicles were produced in Canada, but last year only 1.27m were made, a decline of 28 per cent in five years. Japanese producers now have a 30 per cent share of the Canadian market.

The motor sector has been chronically in deficit but last year this trend was sharply reversed because of the increase in demand for larger cars—many of which are made at Canadian factories—in the U.S.

So far this year, the Canadian factories are making significant progress. Up to March 19, car and truck production was up 17 per cent.

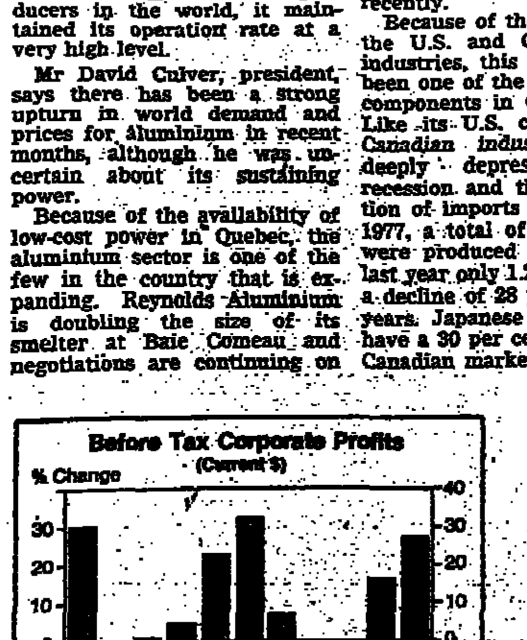
The chemical industry, which has enjoyed a dramatic expansion in the past decade as the country has tried to build an export orientated sector on the strength of low cost domestic feedstocks, suffered a 10 per cent reduction in output last year and the main producers' profits were off 54 per cent in the first nine months. Du Pont Canada, CIL and Union Carbide Canada all had their credit ratings cut by a Canadian bond rating agency last December.

Other industries have been affected by the dramatic reduction in capital spending in the country in the past two years. A few large resource projects, such as the Alaska gas pipeline, the Alsands synthetic oil plant and the Cold Lake heavy oil project, have been cancelled, and others, such as the second stage of Hydro-Quebec's James Bay hydro-electric development in Quebec, have been postponed indefinitely.

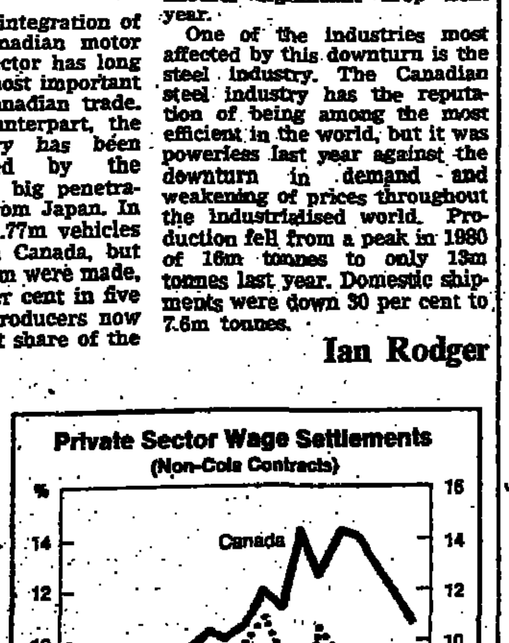
Business non-residential fixed investment in Canada peaked in 1981 at $22.2bn but it fell 11.5 per cent last year in current dollars and is expected to show another significant drop next year.

One of the industries most affected by this downturn is the steel industry. The Canadian steel industry has the reputation of being among the most efficient in the world, but it was powerless last year against the downturn in demand and weakening of prices throughout the industrialised world. Production fell from a peak in 1980 of 16m tonnes to only 13m tonnes last year. Domestic shipments were down 30 per cent to 7.6m tonnes.

Ian Rodger



Forecast by The Royal Bank of Canada, Economics Department
Source: Statistics Canada



Source: Labour Canada; U.S. Department of Labor

Computer trade deficit may pass $5bn by 1985

High technology role remains uncertain

THE CANADIAN Government has come to view Canada's role in the information age with a concern bordering on urgency. But with a small population spread over a wide territory, the policy makers in Ottawa also realise the country will have to pick its route carefully in making the transition to a full participant in the global technology sweepstakes.

Already Canada has developed a world-leading telecommunications infrastructure. It was largely in response to the need for Canadians to communicate in a cost-effective manner across its vast open spaces that its communications companies developed.

These include Northern Telecom of Montreal and Mitel Corp. of Kanata, Ont., both of which have become world-class competitors. They and a new generation of specialised communications companies like Gandalf Data of Ottawa and Develcon Electronics of Saskatoon have learned the essential lesson involved in being a Canadian technology company—the domestic market is too small and world markets must be exploited.

Canada's relative strength in telecommunications has been offset by a virtual absence of participants in the large-scale computer industry. Almost every major American computer mainframe company has a subsidiary in Toronto. As a result Canada has racked up an annual trade imbalance in computers and office automation products which passed C$2bn in 1982 and is projected to reach C$5bn by 1985.

Such figures have prompted Government action on a number of fronts, much of which is starting to bear fruit this year. At the federal level the Department of Communications has initiated a multi-million dollar office communications systems programme to develop Canadian expertise in the so-called Office of the Future. In the private sector a consortium called Office Communications Research Associates (OCRA) has sprung up to develop products for the same market. That consortium draws upon Gandalf, Systemhouse of Ottawa and CNCP Telecommunications, the telecommunications carrier which offers an alternative to the telephone companies.

Telidon, Canada's videotex and teletext system, has become—to the media anyway—the symbol of Canada's participation in the Information Age. The Government has already spent more than C$40m on developing and marketing the technology. It had hoped by last month to let the private sector carry the ball but because of the difficult economic times the cabinet recently gave the programme an additional injection of C$23m over two years.

Field trial

Telidon has yet to become a mass consumer phenomenon in Canada and the videotex market has become far more developed in the U.S. The future of the technology in Canada could well hinge on the Vista field trial being conducted by the country's largest telephone company, Bell Canada of Montreal. That trial ends in September and Bell has yet to decide whether to introduce a videotex service which would be paid for by consumers.

The most visible sign of Telidon in Canada is a tourist information programme supplied to hotels and tourist spots in Toronto. The Teleguide programme is being administered by Infomart of Toronto. Infomart is Canada's leading electronics publishing company, set up by Torstar Corporation and Southam, two Toronto-based publishing companies.

Teleguide is in part supported by Ontario's Government, which has made technology a major priority through its Board of Industrial Leadership and Development (BILD) initiative.

As a result of the C$128m BILD programme, which was first announced early in 1981, Ontario set up a network of technology centres designed to nurture specialised technology industries in a number of smaller urban centres. The last of these centres opened last February. They include a robotics centre in Peterborough, a computer-aided design and manufacturing centre in Cambridge, Ontario, a food processing plant in Chatham, Ontario, a microelectronics centre in Ottawa and a resource machinery centre in Sudbury.

The thrust of the centres is two-fold. On the user side the province wants to increase awareness in its sagging manufacturing sector of the productivity enhancing capabilities of the new technology. In addition to promoting use of new technologies it also wants to nurture the development of an industry creating such products.

On a smaller scale the Federal Government is implementing microelectronics centres across the country. A token C$10m has been allocated to set up such centres near universities in each province. Seven are now operational. But despite the microelectronics rhetoric, since the demise of Microsystems International of Ottawa in 1976 Canada can boast no real general purpose manufacturer of a broad line of silicon chips. Mitel and Northern Telecom do produce some for their own use and Linear Technologies of Burlington, Ontario, has a capability in analogue chips for hearing aids and the like. But the Canadian microelectronics industry, such as it is, primarily builds products with chips imported from the U.S. or Japan.

With the increased trend to international trade protectionism a debate has arisen as to the wisdom of continuing such a practice. There are some who believe that the important thing is to develop a chip-using capability, while others warn that a worldwide chip shortage could develop by 1986, leaving Canada in the cold.

The Science Council of Canada, whose input is provided to a number of policy makers, released a report in March 1982 entitled "Planning for an Information Society: Tomorrow is Too Late."

The report breathlessly informed those that did not already know it that by comparison to Japan or France, for example—Canada was in danger of becoming a technological have-not country. Without a three-pronged co-ordination of government, industry and universities, it warned, Canada could emerge purely as the perennial hewer of wood and drawer of water.

Alberta venture

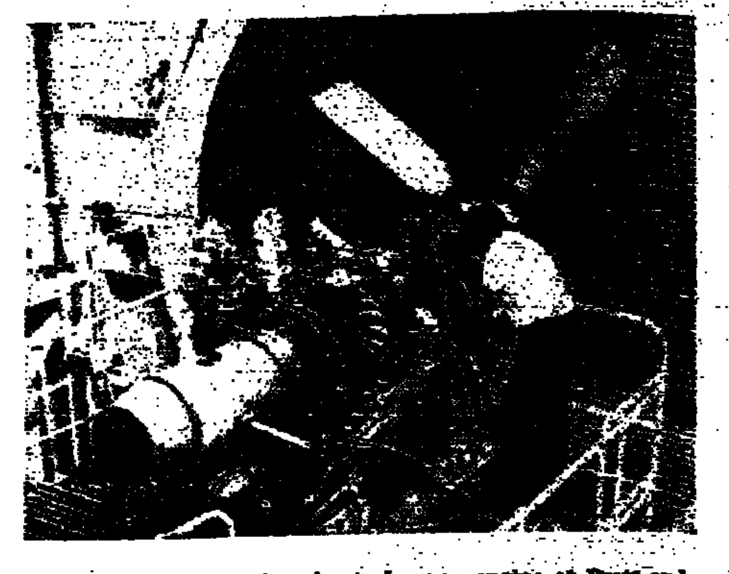
It now seems only a matter of time before the Council's recommendations are put into action. The most likely area of the country appears to be oil-rich Alberta, which has started to view technology as a natural area in which to diversify. Late in March work was in progress to bring together a joint venture of Canadian companies to build chips geared to some 40 Calgary technology companies which build oil technology products. The venture, if it gets off the ground, would develop specialised or custom chips for the energy and related industries and for world markets.

While the Alberta technology community lives off the energy industry, the most notable cluster of technology firms is in Ottawa. Dubbed by the local press Silicon Valley North, the industry was created largely by spin-offs from Bell Northern Research of Ottawa, the research arm of Bell Canada and Northern Telecom. Contracts from government bureaucracy in the city still are the mainstay of the local industry.

Silicon Valley North is a misnomer, used to describe general communications companies, laser companies and others. Despite great publicity in the last few years the Valley is not large when compared with some of its U.S. counterparts. Most Canadian electronics companies have annual sales of less than C$1m, and eight leading companies account for half of all these sales.

The Ottawa technology private sector recently set up a task force urging government not to dissipate precious technology resources. "We cannot afford the luxury of dispersing existing high technology industries to solve problems of regional disparity," it said. The Government has not yet responded. Smaller technology pockets exist in Vancouver and Montreal. Two world-class word processing companies operate out of Montreal—AES Data and Micom Company.

Jonathan Chevreau



Working on a PW100 series turbo-prop engine at Pratt and Whitney Canada. Though the microchip offers one way to high-tech leadership, Canada's skills in aircraft and engine manufacture have long been world class.

The federal government is looking urgently at how the economy must change

Warning flags out in gold share boom

GOLD MINING helped pull Canada through the Great Depression of the 1930s and gold mining seems destined to help the country out of the deepest recession since then.

New gold discoveries at various points across Canada and a revival of interest in long-established areas have created the biggest speculative boom on Canada's stock exchanges since the 1960s.

Trading volume on the four Canadian exchanges—Toronto, Vancouver, Montreal and Alberta—reached a record high in January and the value of trading was the highest in more than two years.

This surge in share prices has come despite the continuing depression and uncertain outlook in Canada's vital mining industry. The value of metal mining output last year dropped from $8.7bn to $7bn and little recovery is expected this year. More than half the industry's 130,000 labour force is idle.

The pace on the stock markets slowed during February but was still at a blistering gait. For the first two months of the year, 1.3bn shares valued at $8.9bn changed hands, an increase of 231 per cent in volume from a year ago and a gain of 136 per cent in value.

Earnings

Buying some Canadian gold stocks at today's prices seems like paying filet mignon prices for a sausage roll. Rarely have so many stock buyers been willing to pay so much for so little. The price-earnings multiple for the 300 stocks in the Toronto Stock Exchange's composite index reached 25 in March, the highest since the exchange began calculating such multiples 27 years ago. Most of the push on prices—and little of the earnings—is coming from the mining shares.

The touch of madness in the air is evident from the action in the shares of Breakwater Resources, which traded at $6 a share when first listed in Toronto in mid-February and sold as high as $17 less than four weeks later. The price exploded when the company reported an unusually high gold assay from a drill hole on its property in the State of Washington, just south of the Canadian border.

Breakwater says it hasn't calculated ore reserves yet but nevertheless anticipates production at the rate of 1,000 tons of ore daily.

The greatest excitement has been generated by gold discoveries in the Hemlo area of Northwestern Ontario, 200 miles west of Thunder Bay. Hemlo seems certain to become a major gold camp by the mid-1980s, with at least three, possibly four, mines in operation within a couple of years.

Although the discoveries were made by junior exploration companies listed on the Vancouver Exchange—International Corona Resources, Golden Sceptre Resources and Goliath Gold Mines—they are being financed to production by three long-established, successful mining companies — Noranda Mines, Teck Corpn and Lac Minerals.

Exploration and development of the properties has yet to fully outline the potential but senior mining officials estimate the known Hemlo deposits contain at least 15m tons of ore averaging just under one-third of an ounce of gold per ton for a gross content of about 4½m ounces of gold worth about U.S.$1.5bn based on gold at U.S.$400 an ounce.

Hemlo is no moose pasture. It is not a rush for fool's gold. Unlike most Canadian gold mines, it's not in an almost inaccessible place. The camp sits beside the Trans-Canada Highway little more than a half-hour motor car ride east of the pulp and paper town of Marathon.

All one has to do is don snowshoes and walk a mile or so into the bush to the treasure trove that was overlooked when the area was first prospected nearly 100 years ago and which has been poked at intermittently since.

As is also usually the case, the excitement generated by the promoters may have inflated the price of the junior stocks far beyond their intrinsic worth. International Corona shares have been as high as $13 a share this year, up from $4 at the beginning of the year, but far below the $120 a share at which it traded before the shares were consolidated on a one-new-for-four-old basis last year. At $13, the market capitalisation was $45m.

Golden Sceptre has been as high as $23, compared with a low of 40 cents last year and recently was trading at $15. Goliath soared from a 1982 low of 45 cents to $25 and now is trading around $14.

Toronto stockbroker Midland Doherty continues to regard Goliath and Golden Sceptre as excellent speculative vehicles for gold exposure, even though their properties are two years away from production and it will be probably five years before these companies show a positive cash flow.

It adds that it believes real value has been added to the shares of established mining companies Noranda, Teck and Lac Minerals through their participation in Hemlo.

Speculative

With the exception of these companies, says Midland, the properties of the 100 other companies with land surrounding the deposits are unevaluated. They are definitely speculative ventures and individuals participating in them should be cognizant of the risks involved and the volatility of gold prices.

Many brokers are beginning to wave warning flags. Pitfield Mackay Ross is sceptical of the widespread speculation exemplified by people overseas seeking the names of penny gold stocks to buy immediately. Pitfield adds that although some mines can be held for further gains, speculators should nail down profits in those stocks that have run up in "flagpole" fashion.

And others say that while the chances of more companies coming up with interesting results are far better than in previous mining booms, they warn that "there are going to be a hell of a lot" of companies that will find nothing. For anyone considering taking a flyer in the market, the rule should be "Caveat emptor."

Yet analyst John Lydall of First Marathon Securities believes 1983 will be a vintage year for Canadian gold producers.

He bases his belief on the fact that established gold producers such as Dome Mines are expanding operations, new producers are becoming increasingly profitable and major new mine developments are under way.

And there has been increasing Canadian institutional interest in gold shares, which has resulted in a significant shortage of institutional-quality gold stocks.

He believes the major established producers such as Dome, Campbell Red Lake Mines, Lac Minerals and Lake Shore Mines are buys for longer-term participation in the gold market but adds that the share-price performance is likely to be less exciting than it was in the second half of 1982.

Malcolm Taschereau, president of Dome Mines, says the ore deposit being mined at its Timmins area property in Ontario, where production began 60 years ago, should last for another 50 to 70 years. Just a couple of weeks ago he announced that the company will spend $92m to expand operations.

And last year, the company announced plans to spend $150m to bring into production a gold property at Detour Lake in far northern Ontario.

While the main excitement has centred around Hemlo, gold exploration is being carried out in many areas across Canada. There are at least a half dozen smaller gold plays in British Columbia and a mini-rush has developed in New Brunswick, mostly backed by relatively unknown junior companies.

Ontario's Natural Resources Minister, Alan Pope, is acting like a flamboyant promoter. He says a large stretch of land—several hundred miles long—running west of the Cobalt silver camp through the Sudbury nickel camp, the Elliot lake uranium camp and on to the iron-mining area near Sault Ste. Marie could become a new gold exploration region.

He says provincial government geologists have been studying the region because they think portions of the rock structure have a strong resemblance to the host rock of South Africa's gold mines. This large tract, covering about 100,000 square miles, lies to the south of the Timmins, Kirkland Lake, Larder Lake and Hemlo districts.

James Scott

Falling prices cast shadow over offshore plans

Waiting for oil in Atlantic provinces

THE GOVERNMENTS and people of the region have watched with mounting excitement the successes that a growing armada of rigs and drillships have had in their search for oil and gas off the coasts of Newfoundland and Nova Scotia.

The possibility of new-found wealth that 2bn barrels of oil in the Hibernia Field off Newfoundland and 3 trillion cu ft of natural gas in the Venture Field off Nova Scotia will bring, has not only Atlantic Canadians, but the whole country thinking differently about this region.

While its coal, hydro and tidal power resources make it potentially one of the energy storehouses of North America, the region has paid dearly in the past for its lack of indigenous petroleum production, having had to rely almost entirely on imported crude oil.

It is ironic, therefore, that with a decision possibly only months away on the $4bn development of the first offshore gas field, falling world oil prices should cast doubt about whether the Atlantic region's day in the sun is finally in sight.

Assumption

The frontier offshore reserves have always been regarded as high-cost sources of future production. The controversial National Energy Programme recognised this by assuming that output would be priced higher than existing Canadian oil and gas.

However, with the price fall already making much of the national programme irrelevant, this assumption may no longer be valid. Oil companies, governments and others with a vested interest in offshore production, insist that what they regard as a current aberration in world oil pricing will not stymie the long-hoped for offshore developments. But, privately apprehensive about what may happen, Premier John Buchanan of Nova Scotia and spokesmen for the Newfoundland government have conceded that, to ensure production, frontier output may have to carry a lower "economic rent," at least initially.

Both provinces are extremely limited, however, in the extent to which they could make concessions on royalties. In anticipation of a petroleum-led surge of general economic activity, Nova Scotia has almost tripled its net direct debt over the past five years to nearly $4bn and is having to pay about $800,000 a day in debt servicing.

Two groups of U.S. gas transmission and distribution companies have expressed interest in buying about 400m cu ft of gas daily and a $1bn regional gas distribution system is planned for Nova Scotia and New Brunswick.

If there is a sticking point, it is likely to be the price U.S. buyers are willing to pay for the gas. Gas now accounts for only 9 per cent of total energy consumed in the north-east U.S. and, with a fall in the price of competing fuels, Canada seems likely to have difficulty in maintaining its present $4.94 a thousand cu ft border port price. Something closer to $4.25 could be acceptable in the north-east.

The future of Hibernia oil, however, is much more problematical. There are three big hurdles: the oil price slide, the still-unresolved federal-provincial dispute over offshore jurisdiction, and the formidable technical challenge of producing oil in a storm-tossed and iceberg-infested area that has already claimed 84 lives and the world's largest offshore rig, the Ocean Ranger.

On the first point, the province carried out a computer analysis of the likely impact of lower world prices. Unofficially, sources suggest that, contrary to earlier oil industry suggestions that a price of at least $50 a barrel would be needed to economically justify Hibernia production, the field could operate successfully at a price as low as $22 a barrel.

This assumes only a minimal 5 per cent provincial royalty — something that would be unacceptable low given Newfoundland's recent cut in government services to offset a mounting revenue deficiency problem — but it would ensure a 25 per cent return on investment for the producers.

With government sacrifices, therefore, there is still leeway in justifying the $8bn Hibernia development even under today's lower world oil prices.

To overcome the second obstacle could be much more difficult. Optimism was raised briefly earlier this year that the ownership dispute might be settled when talks between federal Energy Minister Jean Chretien and his provincial counterpart, William Marshall, seemed to be making progress.

However, the talks were abruptly terminated, with Mr Marshall contending that Mr Trudeau, the Prime Minister, had intervened to scuttle them. The breakdown preceded a ruling by the Provincial Supreme Court that Newfoundland's past failure to exercise sovereignty over the offshore finds had invalidated its pre-confederation claim of title.

The issue specifically confined to jurisdiction over the Hibernia Field, is now before the Supreme Court of Canada. But this has not stopped bickering between the two governments, with the oil companies becoming pawns in a war of words carried out on the level of petulant children.

Automated laying of rail track. Good communications are a key to Canada's prosperity: Canadian Pacific Rail is to spend more than $220m on repairing and extending its track this year.

On the third point, that of producing oil among the bergs and storms of the Grand Banks, *Mobil is increasingly confident* it may have found an answer. Its latest production plan envisages the use of a number of huge, scallop-shaped, two-tier, concrete platforms resting on the sea bed, at a cost of about $2bn each.

These would be capable of deflecting the impact of icebergs weighing up to 12m tons.

While many problems still have to be resolved, the potential of offshore oil and gas production is creating a very definite mood of optimism. With as many as ten rigs operating off Nova Scotia this year, the impact on land-based industry *is increasingly evident.*

As many as 100 oil-related companies are now based at Burnside Industrial Park in Dartmouth, N.S. and the nature of the activity is now switching from marine service and support to oil related equipment manufacturing.

The exhilaration that talk of such projects injects into an otherwise shaky economy is infectious. Real estate developers are falling over themselves to cash in on an expected property boom. There are approvals, plans and projections for putting up about 1.5m sq ft of new office space in Halifax, an enormously optimistic figure given that last year less than 100,000 sq ft was taken up and annual absorption has not exceeded 300,000 sq ft since the mid-1970s.

All of which contrasts markedly with the rest of the region's fish and chip, resource-based economy. Both New Brunswick and Prince Edward Island have a huge glut of unsold potatoes. There has been talk of nationalisation to overcome problems in the fishing industry, the region's forests have been ravaged by insects and the pulp and paper markets by recession.

Apart from two new potash mines in New Brunswick, the mining industry has rarely looked in poorer shape.

Fishing, however, is one of two areas of the regional economy that is showing signs *of life. While the other* major processors are virtually bankrupt, National Sea Products of Halifax, the largest producer, turned a major loss into a $1m profit last year on substantially higher sales and expects major improvements to stem from plans to reorganise the industry contained in *reports by the federal taskforce* on the fishery led by Mr Michael Kirby.

The first report dealt with resolving stock and gear rivalries between the inshore and offshore sectors of the industry and made other recommendations for improving fish quality and international marketing. *Yet to be released is a second* report that deals with corporate reorganisation.

Bank and provincial loans amounting to more than $300m have been injected but, despite a major split in Cabinet over the issue, neither the report nor the federal government seems likely to recommend nationalisation.

Symbolic

The other bright spot in the economy is more symbolic than anything else—the start-up this summer of North America's first tidal power plant. This plant, a $48m, 20 megawatt, prototype at Annapolis Royal on the Bay of Fundy, will test a new Swiss-designed turbo-generator and seems bound to revive interest in tidal power as a major, alternative source of energy.

Tidal energy is part of an imaginative, integrated power development plan advanced recently by St John's field consulting engineer, Angus Bruneau, in an attempt to break the impasse between Newfoundland and Quebec over the disputed, 65-year Churchill Falls power supply contract and the future exploitation of 3,000 MW of remaining hydro power in Labrador.

Dr Bruneau *suggests* that the bitterness Newfoundland feels about the giveaway price for which it must sell most of its Churchill Falls power to Hydro Quebec until well into the next century, could be overcome if the 5,200 MW plant was converted from a base load pro*ducer to a peaking plant,* producing energy at a much higher price. Newfoundland loses $600m a year under the present arrangement.

Lyndon Watkins

Quebec wrestles with $3.25bn deficit

THE RECESSION has hit Quebec more dramatically than any other province except perhaps British Columbia, and most of its manufacturing and resource industries have been operating at half-capacity.

The economy contracted by almost 7 per cent in real terms last year, and every part of Quebec society was staggered by the severity of the downturn and the rise in the official *jobless rate to a peak 15 per* cent.

The worst is over, with the steep decline in interest rates in the past six months and signs of strong recovery in the U.S., the main market for the province's resource products such as metals, lumber, and pulp and paper. Yet conflicting claims on a shrinking economy, high taxation, and the provincial government's continual confrontations with Ottawa, have brought tensions to near breaking point several times.

The Government of Premier Rene Levesque has had to deal with *a budget deficit* that threatened to run out of control. It has managed to wrestle the public sector unions into accepting a temporary wage freeze and limited increases for the next two years, and Mr Jacques Parizeau, the Finance Minister, has contained the budget deficit *for the year just ended March* 31, at about $3.25bn, still the largest of any province.

While the government is trying to support sparse new investment in the private sector and speed the growth of new industries, it has not been able to resolve the conflict between these policies and its continuing commitment to independence. Mr Levesque himself says the next provincial election, in 1985 or 1986, will be held on the straight issue of sovereignty.

Quebec's last year of growth was 1979. The economy spluttered in 1980 and had a brief inflationary fling early in 1981. The crunch came in August 1981 when federal monetary and exchange rate policies forced the prime lending rate at the banks to almost 23 per cent.

The economy sank like a stone in the last half of 1981 and early in 1982, and the Levesque Government, still at loggerheads with Mr Trudeau in Ottawa over the constitution, changed tack and realised it was facing a financial crisis. The tax base was contracting dangerously while government spending was still going up, and the deficit threatened to get out of hand.

Burden

Ministers began *stomping* the province saying that average public-sector wages had reached levels 20 per cent above the private sector; and that the burden of 11,000 surplus teachers could no longer be carried by taxpayers.

The Government correctly *gauged the public's concern* with jobs and the economy, and its programme received surprising support. The 300,000 workers represented by the public-sector unions had been instrumental in getting the Parti Quebecois elected in 1976 and re-elected after the *unsuccessful 1980 referendum* on independence, but the Government argued it had no choice but to ask them to renegotiate their contracts.

They refused, and Mr Levesque then passed legislation restricting the right to strike and rolling back wages 20 per cent in the first three months of 1983.

The unions replied with the threat of a general strike, but the Government easily split them, negotiating settlements with hospital workers and civil servants and isolating the teachers, the most militant group.

The battle is not finally over, but Mr Parizeau has saved about $400m in 1982-83, holding his *budget deficit to* $3.25bn and possibly allowing for some improvement next year.

A test of the government's policies will come later this spring. Three, and possibly four, by-elections are due in Montreal, Quebec City, the depressed north shore of the St Lawrence and in the Lac St. *Jean Region.* The results may also show whether the population blames the provincial or the federal government most for the poor showing of the economy and high unemployment.

All four ridings have been held by Parti Quebecois members with good majorities, but Mr Levesque has admitted that the government may be in trouble—it has lost all 13 by-elections since 1976.

The opposition Quebec Liberals, led by Gerard Levesque (no relation) since the departure of Claude Ryan *as chief* following a caucus split on the constitutional issue, will be stressing local economic issues in these by-elections.

There are also increasing attacks on the rigidity of the government's language laws, making French the official language of Quebec, and the *higher costs they impose on* the economy.

Hydro-Quebec has accounted for nearly 25 per cent of the total capital investment in Quebec for the past decade, with its $15bn James Bay hydro project. However, this will be completed at the end of 1984, and the second phase has been delayed indefinitely.

The province, assuming zero *growth, would have about* 4,000 Mw of power in surplus by then, and the government has given Canadian Reynolds Metals and Pechiney of France half-rate power for five years to induce them to go ahead with aluminium smelting investments worth nearly $2bn.

Hydro Quebec has also signed to export more interruptible power to New York State and New England, the latter contract starting in 1986. The prices available will depend on world oil prices.

Gain

Most economists expect Quebec to achieve a modest 1 per cent growth this year, with all the gain coming in the second half. Firmer world demand and prices for resource products are vital. However, mining and metals, except for gold and silver, are unlikely to improve before 1984.

A slight improvement is evident in some consumer products industries, including textiles and furniture and car assembly, but the pulp and paper industry does not expect to return to sound operating rates until 1984. Aerospace may improve in the second half.

Both federal and provincial governments are helping electronics products, and sound development is possible after existing high inventory in some lines is worked off.

Montreal by year end will have only three of its six oil refineries operating because of the steep decline in demand for petroleum products. The petrochemical industry alongside has been hit by high feedstock costs, but it will survive.

Robert Gibbens

Almost all the important resource industries are reeling from a disastrous year

Western provinces in trouble

THERE ARE two sure signs that western Canada's once-booming economy is in trouble: the drop in the number of visiting businessmen who touch down in its provincial capitals and the number of Alberta licence plates on cars in eastern cities—a reflection of the exodus of young workers who can no longer find work in the oil fields and related industries.

Only six months ago, the resource-rich western provinces, Alberta in particular, were thought to be the engine for Canada's economic renewal. But the persistent word recession and plummeting international oil prices have shifted the focus for recovery to the manufacturing centres of Ontario, the potential beneficiaries of cheaper energy costs, and created a resentful wait-and-see attitude in the once-bubbly west.

Virtually every important resource activity in the west is reeling from a disastrous year, even at Hudson's Bay where the fur trade has slipped into the red for the first time in its 200-year history. The effects of the recession have shaken business confidence, provoked a series of political protests reminiscent of the depressed 1930s, and created staggering government deficits in provinces that had been pillars of well-managed economies.

Canada's forest industry, whose prosperity is essential for any recovery in British Columbia, is currently embroiled in a *cross-border dispute* with American lumbermen over the possibility of duties on Canadian exports. And prairie grain farmers, who had a record last harvest, are seeing net farm receipts down to levels of the mid-1950s because of low world prices and high production costs.

Nowhere is the prairie recession more apparent than in the oil and gas province of Alberta, where Premier Peter Lougheed recently pronounced the end of a "credit card society" and the beginning of a long period of readjustment after several years of remarkable boom.

In 1982, for the first time in nearly a decade of feverish expansion, there was no growth in real domestic product in Alberta. Unemployment has climbed to nearly the national average of 12 per cent and after years of self-financing and hefty surpluses, the province now finds itself on the international money markets seeking to borrow in excess of C$1bn.

Last year, Alberta ran up a government deficit of nearly C$2.4bn which was paid for out of accumulated surpluses. This year it is forecasting a total shortfall of about 2bn depending on the needs of some of its crown agencies.

The province still has nearly C$13bn locked away in its heritage savings trust fund but it has cut by half the amount of resource revenues it normally channels into the fund in order to finance continuing programmes.

Subsidies

The only Canadian government in recent years to follow Keynes' economic counsel to any degree, Alberta has been trying essentially to spend its way out of recession with massive billion dollar subsidies to the oil and gas industry, mortgage reduction programmes and capital works projects.

Earlier this year the federal Cabinet approved new gas exports to the U.S. to help alleviate the problem of "shut in" domestic natural gas but the move is seen in the West as too little, too late. Big U.S. buyers are already trying to back out of long-term contracts because of sluggish demand and this has had a ripple effect through the Alberta economy. February, normally the peak drilling month, showed a seven-year low in activity and government rents have suffered *accordingly*.

Across the border in British Columbia, the situation is not much different although the Government's response to it is. Without a flush trust fund to fall back on and facing an election shortly, the Social Credit Government of Premier William Bennett has embarked on an austerity programme and attempted to cut back government operations and the size of *the Civil Service in this heavily* unionised province.

Despite these efforts, however, the Bennett administration is still facing a hefty deficit which is compounded by the fact that for the first time in decades the province's cyclical resource industries are all down together.

The first to recover may be British Columbia's lumber industry, which has broad economic significance in the province and is starting to rebound after nearly three years of decline. Some mills which had shut down have restarted and prices have risen slightly because of an upturn in U.S. housing starts.

The province is pushing ahead with a C$3bn coal development in the north east corner despite some political controversy that the project has aroused. Older mines in the south have been closed because of the project and the contracted buyers (Japanese steel interests) have already made cutbacks of between 20 and 25 per cent on earlier contracts.

British Columbia is the second leading mineral producing province after Ontario, but its mining industry slumped badly last year, when a healthy before-tax profit from 1981 turned into a major loss. Copper, gold and silver bore the brunt of the recession and coal production increased only modestly despite brave forecasts.

The recession has not been so harsh on the bread basket province of Saskatchewan, but it too is predicting a relatively modest budgetary shortfall of about C$200m in the fiscal year, first time in 20 years it has posted a deficit.

The major reason for the deficit has been the brisk, three-year drop in potash sales, a result both of more farmers, particularly in the U.S., willing to forego the use of additional potash-based fertiliser in these cash-short times and the pricing policies of Eastern bloc competitors such as the USSR and East Germany.

The *massive stockpiles* of wheat and corn in mid-western U.S. bins this crop year will also hurt prairie farmers by tending to keep international prices down for the near term.

Saskatchewan's oil production, much more modest than Alberta but still the province's largest single source of revenue, has been on a roller coaster ride since 1981, enjoying brief spurts of unexpected interest in recent *months*.

Its uranium industry, the third largest mineral resource after oil and potash, may also stabilise this year after a poor showing in 1982. Eldorado Nuclear closed its mine at Uranium City last summer, citing low world prices, but another mine at Key Lake is scheduled to come into operation later this year with most of its production already presold.

Manitoba, the poor sister of the four western provinces, is still mired in recession and has seen its hopes dashed for a quick megaproject boost: both Alberta and Saskatchewan have kept postponing plans for a western hydro-electric grid with a huge power station based in northern Manitoba.

Still, because of a relatively diversified economy compared to other western provinces, Manitoba has been able to survive the slump better in some ways. The province's service sector is improving and retail sales showed the best percentage increase in Canada in 1982. The trend is expected to continue this year, thanks to a return of young workers who had left in the mid-1970s for the boom provinces further west.

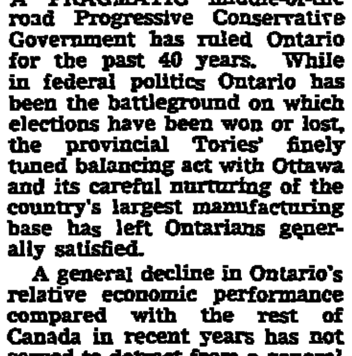
However, the unemployment rate is still high in Manitoba and the primary industries such as mining, pulp and paper, and agriculture are troubled with labour and structural problems. Net cash receipts for grain, a lynchpin of the Manitoba economy, are *projected to* decline by about 6 per cent this year and the lack of farm prosperity has led to lay-offs and closures in related businesses.

Robert Sheppard

Open pit coal mining in south-eastern British Columbia. Coal production increased only modestly last year despite brave forecasts.

The provincial government's strategy is to revitalise manufacturing

Ontario looks to technology



A PRAGMATIC middle-of-the road Progressive Conservative Government has ruled Ontario for the past 40 years. While in federal politics Ontario has been the battleground on which elections have been won or lost, the provincial Tories' finely tuned balancing act with Ottawa and its careful nurturing of the country's largest manufacturing base has left Ontarians generally satisfied.

A general decline in Ontario's relative economic performance compared with the rest of Canada in recent years has not served to detract from a general feeling of prosperity.

Toronto, Ontario's capital city, with its gleaming office blocks *has outstripped Montreal as* Canada's premier city and established itself firmly as the country's commercial and financial centre.

The problem for the Ontario Government, led for the past 11 years, by the rather bland, but highly competent premier, Mr William Davis, is to revitalise the mature manufacturing industry which accounts for almost half the province's output.

Mr Davis's strategy is to encourage a growing high-technology industry, the use of industrial robots in the traditional manufacturing industries, and an increase in the manufacture of goods now imported into the province.

On the success of this strategy will depend Ontario's economic importance and consequently its political weight within the Canadian confederation.

Since the confederation was established in 1867 Ontario has been the pivotal mainstay of Canadian economic and political life. High import tariffs in Canada's earlier years were used as a device to encourage the inflow of foreign capital to establish industries in Ontario and, to a lesser extent, in Quebec. The consequence has been the growth of large branch *plant industries, largely owned* by Americans, and subject to foreign control.

Lower tariff barriers under the GATT rules and increased competition in heavy manufacturing from Third World countries has hit at the base of *Ontario's economy*. Ontario's share of world trade declined from 4 per cent in 1970 to 2.5 per cent in 1981.

Also, as oil prices rose, economic growth within Canada shifted to the West. In 1970, Ontario had the highest per capita income in the country; now Alberta ranks as number one and Ontario has dropped to fifth place. While Canada overall has maintained a trade surplus, Ontario in 1981 had a deficit of C$8.9bn.

The Ontario Government's vehicle for revitalising the economy is known by its acronym BILD, the Board of Industrial Leadership and Development. Set up in 1981, the board, which is composed of seven provincial Cabinet members, has C$1.5bn to spend over five years.

Innovation

Under the BILD programme five technology centres have set up in the province at a cost of C$100m *to co-operate with* industry in providing research and information on new developments to aid productivity and speed new technological innovation and design.

The intention is to aid the infant but successful microelectronics industry in the Ottawa valley and to advise industry generally on computer-aided design and manufacturing.

Mr Gordon Walker, Minister for Industry and Trade, forecasts that in five years the Ontario micro-electronics industry will employ 100,000 people, against 15,000 today. However, success in building a micro-electronics industry is not a prerequisite for revitalising the manufacturing sector as a whole.

Ontario has moved to help small businesses in all sectors by removing its corporate income tax and through seminars and its overseas trade offices is encouraging them to export. A BILD programme is having some success in building up a food processing industry, to cut back on the C$2.5bn of imports that came into the province in 1981.

The Davis government has also used BILD money to create about 40,000 temporary jobs to alleviate unemployment. The recession last year hit *Ontario unevenly. A disastrous* worldwide nickel market forced the Sudbury mines to close giving the town the unenviable title of the unemployment capital of Canada. Some 16,000 jobs were lost in a depressed mining industry and 88,000 in manufacturing.

The small, but important job creation efforts are a prime example of the Davis Government's pragmatic political approach which has kept the Tories in power so long. Its desire to build up political IOUs with different constituencies extends to its dealings with Ottawa. Davis earned the ire of other provincial premiers in his consistent support of Trudeau's position on the repatriation of *the constitution*.

Best deal

His aim has always been to keep the federal government on his side, and in turn get the best deal for a province which still has the largest part of Canada's population—35 per cent.

Ontario's accommodation with Ottawa, however, has not always proved in the province's own best interest. Its support in the mid-1970s for the federal policy of keeping Canada's domestic oil prices below world levels, would have served its manufacturing base well if other costs had also been kept under control. In the event, oil prices have had to rise, but at a time when the rest of the world, having taken its punishment earlier, is taking advantage of falling prices. Also, the *cancellation of the big synthetic* oil project in Alberta is hurting Ontario's manufacturers. Steelmakers, for example, have been deprived of upwards of C$6bn of work.

Even so, the recession last year hit Ontario slightly less than Canada as a whole. Its output declined by about 4 per cent, less than the rest of the country, and unemployment at 11.2 per cent is less than the national average. Its better than average performance was due in part to a strong performance by the service sector—where there was a net increase in employment—and a better than expected output from the automotive industry.

The cancellation by Chrysler of a C$360m diesel engine plant in Windsor, which the provincial government was to help to finance, has come as a blow, but the motor industry—which accounts for 35 per cent of manufacturing exports—is continuing to invest substantially.

Some economists believe that Ontario could pick up faster than the rest of Canada. Normally, 78 per cent of its exports go to the U.S. and the recovery across the border is already having an impact on some Ontario industries, especially those related to the motor industry; but the Conference Board of Canada is predicting real growth in 1983 of only 1.1 per cent.

Nicholas Hirst